printer makers: Olivetti and

the Italian arm of Honeywell

Information Systems, Mannes-man Tally and Philips Kommu-

nikations of West Germany.

They argued that Japanese competitors were artificially cutting prices to damage the European industry's ability to

finance research and development in a strategically impor-tant sector. According to the Commission, the dumping mar-gins varied from 4.8 per cent to

86 per cent; this being the gap

between EC prices and normal prices on the Japanese market. The Japanese groups accounted for nearly three-quarters of total EC purchases

of more than 2m printers in

1986. They are commonly used to provide inexpensive print-

outs for personal computers.

Four of the companies involved, Brother Industries, Citizen Watch, Seikosha, and Fujitsu face higher duties than

laid down in the provisional levies. The rest, including

Seiko Epson, the market

leader, are getting off more lightly than expected. The changes are the result of fresh

evidence picked up by Commis-

sion negotiators since the imposition of provisional

"It is good news that we got a lower level of duty... but at the end of the day it is the

impact on costs and consumer choice that matters," said Mr

Edward Huggins, communica-

Austria Sci 22 Indonesia Rezi 00 Philippines Perosi 0 Balezha Disto 650 tran 986.160 Pertugat Est 120 Belgham 87-48 krael M53-50 S.Arabia Rh7.00 Carrado C51.00 traly L1700 Singapor Si4.10 Opera C51.00 Jordan Fits 500 Sri Lanta Rh7.00 Desmark Dic 10.00 Jordan Fits 500 Sri Lanta Rh50 Egypt E225 Conest: Fits 500 Sri Lanta Rh50 France F71.00 Labason 51.250.00 Switz Sr2.230 France D1230 Mexico Person Tankara M1585 Group D1230 Mexico Person Tankara M1585 Group M5120 Mexico Person Tankara Dio Boto India Mexico Person Tankara Dio Boto India Mexico Dio Boto India Mexico Dio Boto India Mexico Dio Boto India Mexico Dio Boto India No. 100 Boto India Mexico Dio Boto India St. 100 Bo

FINANCIALTIMES

Friday November 25 1988

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FBI arrest fugitive Greek banker call for in Boston

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Greece asked the US to extradite fugitive banking tycoon George Koskotas, charged with multi-million dollar fraud in a scandal which has rocked Athens, after his arrest by the FBI in Boston.

Church raid kills 16 Suspected communist rehels fired on a packed Philippine village chapel killing 15 people gathered inside for evening prayers in the mountain vil-lage of Sambag on central Colon Journal Cebu Island.

Sudan villages razed At least 133 people were killed and 37 villages burned in a new surge of lawlessness in tribal warfare in Sudan's west-ern Darfur region.

Arms talks stall Work on setting up new talks on reducing conventional arms in Europe has virtually come to a standstill over procedural objections raised earlier this month by France. Page 2

Thai flood kills 140 At least 140 people died in floods and in landslides after torrential rain in southern Thailand including 45 killed when mud loosened by three days of monsoon rains engulfed villages in a district of Nakhon Si Thamnarat prov-

EC car laws Tougher standards on emissions from small cars are set to be imposed on EC manufac-

turers from the early 1990s. following an unexpected break-

through at EC meeting in Brussels. Page 2

Factory raid Suspected Sinhalese Marxist rebels shot dead four people, including three Indian civilians, in a raid on a sugar fac-tory in south-east Sri Lanka.

Hitch over PoWs The biggest prisoner swap between Iran and Iraq in ately ran into trouble when the first captives were flown home with both fran and Irac reducing the numbers swapped, Page 4

Hungary retaliates Hungary expelled a senior Romanian diplomat, Pavel Pla-tona, in retaliation for the expulsion of a Hungarian diplomat from Bucharest last week.

Baltic algae threat Algae which choked marine life in huge areas of the North Sea last summer is threatening to take hold in the neighbouring Baltic Sea according to scientists monitoring the region.

40 student arrests At least 40 people were arrested and two police officers injured when students protesting over education loans clashed with police in central

Nemeth elected Hungarian parliament elected the youngest Prime Minister in its history. 40-year-old reform economist Miklos Nemeth committed himself to faster market-oriented eco-

27 rescued at sea Canadian Forces helicopter rescued a 27-man crew from a Liberian-registered freighter that had been in danger of sinking off Nova Scotia.

nomic reforms.

MARKETS

Austrelie

1200

All Ordinary index

Business Summary

W Germany **67 summit**

HANG SENG index closed up 32.37 at 2.666.02 on turnover worth HK\$1.6bn (\$205m).

Hang Seng Index

Heavy local buying attracted overseas institutions into the market, which pushed prices sharply higher in a day of active trading. World stock markets, Pages 35, 36

PERNOD RICARD, French drinks group, is poised today to declare unconditional its EA.50 per share offer for Irish Distillers to win the battle for the distiller after a rival bid by Grand Metropolitan, the largest spirits group in the world, lapsed after government

from his duties as chairman of the Co op retail group of West Germany after offering to resign earlier this week in the wake of criticism about its confused finances and organisation. Page 15

SANDVIK, Swedish cemented carbide and special steels group, increased pre-tax profits by 41 per cant to SKr1.917bn (\$317m) during the first nine months of 1988, and prefitted pre-tax profits for the whole were would exceed its service. ar would exceed its earlies

ALAN BIB entrepreneur, took the Hong Kong stock market by surprise when it was announced that he was at an advanced stage in negotiations to sell his 30.8 per cent stake in the colony's HK-TVB and newly listed TVB television companies to an unnamed buyer. Page 19

its position as Japan's most profitable commercial bank in convincing fashion in the six months to September 30, with net income more than Page 19

BRIERLEY INVESTMENTS. New Zealand flagship of Mr Ron Brierley's international

that consolidated net profit after transfer to tax-free reserves rose by 10 per cent to just over HFr4nn (\$111.4m) in the year ended September, while balance sheet totals moved up by 7.5 per cent to HFr1,795bn. Page 16

MANNESMANN, diversified West German engineering group, said that nine-month group sales advanced 30 per cent to DM14.3bn (\$8.27bn)

BOOTS, retail and industrial chemist, defied the gloom in the rest of the retail sector by reporting group interim profits up nearly 20 per cent at £132.4m (\$244m). The shares rose 4p to 233p.

NEW YORK markets were closed for celebrations to mark

FBANCE and West Germany backed the holding of a meet-ing of the Group of Seven finance ministers soon after the inauguration of Mr.George Bush as the next US President in January, Page 2.

November 1988

intervention. Page 15

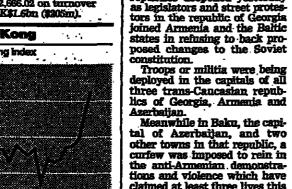
BERND OTTO was suspended

forecast of SKr2.5bn. Page 18

SUMITOMO BANK recaptured doubling to Y100.8hn (\$830.8m).

BANQUE Bruxelles Lambert, one of Belgium's three leading commercial banks, reported

France and



investment group, is still interested in buying the Bank of New Zealand. Page 19

from DM11.02bn a year earlier.

Thanksgiving

Soviet nationalism crisis deepens with Georgian protests

THE CHALLENGE facing the Kremlin from nationalism in the Soviet Union's non-Russian republics deepened yesterday as legislators and street protes-

claimed at least three lives this

The Georgian stance further complicated the Kremlin's efforts to push through amend-ments which would trim the These are to be voted on by the "all-Union" or national Supreme Soviet on Tuesday.

The key articles of the constitutional reforms to which the dissident republics object all threaten to cut across their demands for greater sover-

By Paul Betts in Paris

FRANCE is expected today to finalise a \$2bn package of cred-its for the Soviet Union to coin-

cide with the start of an official

visit to Moscow by President François Mitterrand.

Mr Roland Dumas, French Foreign Minister, appeared to add a new twist to the current

trend in international lending to the Soviet Union by suggest-

ing yesterday that the French

package would be linked to progress made in the talks on

reducing conventional arms in

Mr Dumas will be travelling with President Mitterrand. He

confirmed the French plan to extend credits to the Soviet

Union through a group of French banks. The package would go "hand in hand" with the disarmament talks – but

gave no give details of what he had in mind by this.

Mr Mitterrand's visit is



One of these would grant an "exlusive prerogative" to the Congress of People's Deputies — the new national "super parliament" — to consider issues such as the "composition" of the Soviet Union and the defi-nition of internal and external

This is seen as conflicting with the formal right of indi-vidual republics to secode from the Union - although a provi-sion formally granting this

Paris links \$2bn Soviet

credit to arms progress

between France and the Soviet

Union. France is expected to finalise a series of important

industrial agreements during

the visit.
These include a FFr1bn

(\$169m) deal for Péchiney, the French state-controlled alumin-

ium group, to moderaise and expand the Kanaker alumin-ium factory in Armenia. This

would involve setting up a

joint-venture company 75 per cent controlled by the Soviet

Union, 20 per cent owned by

Pechiney, with the remainder held by a consortium of French

banks led by Crédit Lyonnals.

Both Mr Jean Gandois, Péchiney chairman, and Mr Jean Yves Haberer, chairman of the state-owned Crédit Lyon-

nais, will travel with Mr Mit-

terrand. Other French business

figures taking part in the visit include Mr Francis Bouygues,

whose interests range from

right is likely to remain in the new constitution.

new constitution.

In Tbilisi, an oppposition spokeswoman said that 500 people were taking part in a hunger strike on steps of the Georgian legislature, simed at putting pressure on the republished. lic's politicians to maintain their opposition to the consti-

tutional changes. Georgian legislators had earlier voted to oppose "restric-tive" clauses in the draft con-

From Yerevan, the Armenian capital, an eye-witness last night described demonstra-tors confronting tanks and troops drawn up in front of the Supreme Soviet and the central committee buildings in the

middle of the town.

In Baku, capital of the neighbouring – and increasingly hostile – Aberzaijan, a curiew was imposed from 10pm to 5am and Soviet troops in tanks and armoured personnel carriers patrolled the streets. This follows the death of

three soldiers at the start of the week in the midst of ethnic violence in the town of Kirovobad between Azeri and Arme

Mandela 'will not return to **Pollsmoor** prison'

By Anthony Robinson in Johannesburg

MR Nelson Mandela, veteran African National Congress (ANC) leader, will not be returned to prison from the Capetown clinic, where he is recovering from tuberculosis, but will be transferred to "suitable, comfortable and secure accommodation." Mr secure accommodation," Mr Kobie Coetzee, South African Minister of Justice, announce

last night. Severe restrictions which previously limited family access to Mr Mandela will be eased, so "he will be able to receive members of his family more freely and on a continual basis," the minister added.

He did not say whether Mr Mandela would also have easier access to a wider range of people, including political contacts.

At present, Mr Mandela is entitled to receive each year 30 visits of 40 minutes by not more than two people at a

The decision marks another

stage in what appears to be a government plan gradually to return Mr Mandels to liberty, after 28 years in prison on charges of treason and terror-Mr Coetzee cited "possible threats to his safety" as the main reason for continuing to

confine him in "secure" accommodation, although he did not specify what or where this accommodation will be. Fear of assassination has long been one of the reasons

quoted by Government sources for its reluctance to release Mr Other reasons include concern about reawakening black aspirations for a rapid transfer aspirations for a rapid transfer of power to the ANC, unwill-ingness to accompany his release with a decision to remove the ban from the ANC trolled Elf-Aquitaine oil group, Mr Jean-Claude Leny, head of Framatome, the nuclear power-plant manufacturing group, and Mr Pierre Cardin, the fashand enter negotiations which could be construed by nervous right-wing whites as capitula-

ion designer.

Mr Bouygues is negotiating the construction of two hospi-The risk of assassination by tals in the Moscow area worth about FFribn each. Elf-Aquiwhite extremists was under-lined last week, when a 23-year-old white ex-policeman taine is seeking exploration permits in the Caspian Sea and is negotiating to supply oil and gas exploration and production killing seven blacks and injuring many more. Mr Mandela, who was 70 in

technology to the Soviets July, is regarded as the symbol of opposition to apartheid by millions of black South Afri-Seribo, another French group, is expected to sign an agreement to form a joint venture for the construction of a He was transferred from FFr800m furniture manufactur-ing plant in Ukraine. Elsewhere, Framatome is

Pollsmoor Prison to the elite Constantiaberg clinic in Capetown under police guard in expected to offer to negotiate co-operation agreements in the nuclear power sector. Exports August, when doctors diag-nosed tuberculosis. upsurge, Page 2; Moscow seeks partner, Page 6

EC levies tax on Japanese dot printers

By William Dawkins in Brussels

THE European Community has imposed definitive anti-dumping duties of up to 47 per cent on almost all of Japan's exports of dot matrix computer printers to the Community. printers to the Community.

Its decision, passed without debate by a ministerial meeting in Brussels, hits \$1.3bn worth of sales by 15 leading company of the sales by 15 leading company. Japanese electronics compa-nies and constitutes one of the EC's biggest anti-dumping

The Japanese companies have been subject to provisional duties of up to 33.4 per cent since May. This meant that they had merely to take out bank guarantees to cover the levies. Now the Japanese

exporters must pay in cash at EC frontiers. The duties take effect as soon as they are published in the EC's official journal, likely in the next few days. Japanese trade officials instantly condemned the levy. While the switch from recod-

While the switch from provisional to definitive duties was expected, it forms a fresh source of tension for the EC's increasingly difficult trade relations with Tokyo. It comes less than two weeks before the mid-term review of the Uruguay Round of multilateral trade negotiations in Montreal. The companies involved

have little choice but to stick to the price rises which many of them instituted before the duties. An EC anti-dumping rule adopted since the start of this case obliges them to raise prices to take full account of the duties rather than take this extra cost out of profits. Some, however, are believed to have

Attempt to end deadlock on digital audio tapes

By Laura Raun in Amsterdam and Terry Dodsworth

made in London next week at a top-level meeting between international record producers and equipment manufacturers. The two-day conference, on Monday and Tuesday, is aimed at finding a solution to the bit-ter conflict over copyright that is threatening to strangle the industry in its infancy. Music production companies have

consistently opposed the

launch of the new digital audio

A NEW ATTEMPT to break tape (DAT) players without the deadlock on the development of the fledgling digital audio tape industry will be high quality digital audio

tapes.
The new initiative follows broad agreement between European and Japanese equipment manufacturers on a new anti-copying device that would one copy from a compact disc. A digital signal embedded in the disc is imprinted on the digital tape and prevents fur-Continued on Page 14

B&C wins £100m damages claim against Quadrex

By Clay Harris and Raymond Hughes in London

expected to give fresh impetus construction to television to economic co-operation media, Mr Michel Pecqueur,

Holdings, the UK-based finan-cial services group, yesterday won its £100m (£180m) damages claim against Quadrex Hold-ings, the US-based securities company which earlier this year failed to complete its agreed £230m purchase of two money-broking operations from B&C.

B&C now expects shortly to sell M.W. Marshall, the world's second largest money broker, and William Street Holdings, a US government securities broker, separately to consortia in which the companies' respec-tive managements have equity

Prices have been agreed and the purchasers' financing arrangements are in place, B&C's financial advisors said yesterday. The total consideration, however, is unlikely to match the original £280m price, which was set before the Octo-

BRITISH & Commonwealth Holdings, the UK-based finan The claim is believed to be the largest ever to succe through a summary judgment in the High Court. Mr Justice Hirst ruled B&C that was entitied to the judgment without the case's going to full trial because Quadrex had no argu-able defence to B&C's breach

After the judgment, B&C applied to the court for an immediate interim payment from Quadrex. It is believed to be seeking several tens of mil-lions of pounds. The private It was unclear last night what effect such an award might have on the finances of Quadrex. The privately owned company operates in London

through Quadrex Securities.

Quadrex has not said

its £560m takeover of Mercantile House Holdings, a financial conglomerate, in September 1987. Since B&C wanted only Oppenheimer, a US-based fund manager, it sold the London stockbroker Alexanders Laing & Cruickshank to the French bank Credit Lyonnals and bank Credit Lyonnais and agreed to sell the two wholesale brokers to Quadrex.

After several delays, Quadrex failed to complete the deal in February when its financing arrangements – led by Citi-

ker, claiming they had been "instrumental in obstructing or frustrating" the completion of its purchase is still pending. B&C's advisers said this action should not pose a barrier to the disposals' going ahead. B&C shares closed 7p higher

Editorial comments State control over UK

UK security lews: Public trust, public prop-

Greece: Banking scandal shakes the Govern-

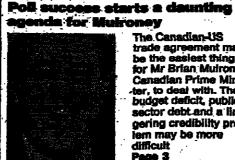
water industry; Snake oil in Sweden .

erty - the threat to democracy ...

hank — collapsed.

Quadrer's suit against Marshall and William Street, and a senior executive at each bro-

whether it planned to appeal against the judgment. B&C acquired the brokers in CONTENTS



The Canadian-US trade agreement may be the easiest thing for Mr Brian Mulroney Canadian Prime Mink ter, to deal with. The budget deficit, public sector debt and a lincering credibility probiem may be more

Lex UK water; La Générale; Boots; Rothmans Managements Ericsson changes its global Survey: Business Travel .. Serveys Property Research Intl. Cap. Markets . 18,18-21 Technology -Unit Trusts ...

This announcement appears at a matter of record only.

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STOCK REDICES STEELING. New York Dow Jones Ind. Av. New York old \$(Wed: 1.8365) \$1.8355 (1.8375) S&P Comp DM3.1475 (3.1525) FFr10.7650 (10.7775). FT-8E 180 Y222.00 (223.00) 1,837.1 (-4.1) New York closed 138,35 (Wed) Tokyo Nikkei Ave 29,340.03 (-90.09) 1,594.6 (-3.0)

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EUROPEAN NEWS

French objections hamper talks on conventional arms

WORK on setting up new talks on reducing conventional arms in Europe has virtually come to a standstill over procedural objections raised earlier this month by France, to the dismay of other Western states. Nato and Warsaw Pact delegates did not hold their usual

meetings this week because "we had simply nothing to say," in the words of one Nato

French concerns focus on the precise relationship between the proposed "Conventional Stability Talks" (CST), which are expected to group the 16 Nato members and the seven nations of the Warsaw Pact, with the existing Conference on Security and Cooperation in Europe (CSCE). which also includes 12 neutral and non-aligned states, making 35 participants in all.

All the Western participants broadly agree that the CST should be linked to the CSCE process. But while the United States, in particular, has sought to make the CST relatively independent, France wants to tighten the relation-ship between the two negotiating forums.

The impasse has dampened hopes, most strongly voiced by West Germany and the Soviet Union, that the conventional

France's Western critics complain that the objections

By Paul Betts in Paris

THE FRENCH Government

decided yesterday against a radical overhaul of the coun-

try's airlines, choosing instead

to make relatively modest adjustments in the industry's

structure to adapt it to an

increasingly deregulated inter-national airline environment.

Mr Michel Delebarre, the

Socialist Transport Minister,

announced yesterday that the

Government had rejected the idea of merging Air Inter, the

domestic state-controlled air-

line, with Air France, the French international state

Government had also rejected

demands for European routes

by UTA, the independent air-

line controlled by the French

Chargeurs group which speci-alises in long haul services to

Instead, Mr Delebarre said

the Government wanted to

encourage greater co-operation between Air France and Air Inter to enable Air France to

offer a wider range of domestic

services at the same time as

giving Air Inter the opportu-

nity to fly outside France. Air Inter would retain its

monopoly on domestic regular flights. But it would be able to

fly to new European destina-

tions under the Air France

banner in return for allowing

Air France to fly domestic routes under the Air Inter ban-

ner. The two companies have

already started co-operating on this basis with Air Inter now

flying to Madrid and Air

France operating under the Air

the Far East and Africa.

e-carrier. e

from Paris appear to overturn a prior agreement among all 23 of the proposed CST partici-pants: the agreed formula, they say, was that the 23 would reg-ularly brief their neutral and non-aligned (NNA) partners in the CSCE process, but the NNA states would not be allowed to interfere in CST

oceedings. Earlier this week, France put Earlier this week, France put forward 10 "talking points" to the 23, clarifying its views. Apart from the link with CSCE, another key French con-cern is that the CST should be designated as talks between the 23 individual nations which make up Nato and the Warsaw Pact, rather than "bloc-to-bloc" negotiations. This reflects France's status as a member of Nato's political wing but not

its military wing.

Non-French diplomats say
Paris was assured that the CST
would not be "bloc-to-bloc"
when negotiations started in February 1987. Apart from details of the

Apart from details of the mandate for setting up the CST talks, the CSCE talks are also being held up by linguing differences within the Western camp over human rights issues. The CSCE talks have to be concluded successfully before the CST can begin. Dif-ferences focus on what exact conditions to be set before agreeing to Moscow's wish to hold a human rights confer-

Inter banner a Paris-Marseilles

Mr Delebarre also said the

Government wanted to encour-

granting UTA rights to extend its services to North America

where it would be competing

to new US destinations. He

even went as far as threaten-ing to sell the airline if he was

But the new proposals also fall short of Air France's ambi-

tions to absorb Air Inter. The

French international flag-car-rier has long argued that at a time when its principal com-

petitors were consolidating their positions such as, for

example, British Airways with

British Caledonian, France could ill-afford to have two

international airlines and one

domestic airline.

not given these rights.

Government.
The Government is thinking Paris fights shy of airlines shake-up

age the development of char-ters in France and of regional European airline services. This appeared to be the only concession made to UTA, which plans to develop the European operations of its Aeromaritime expel Greek

charter subsidiary. But apart from refusing per-By Jim Bodgener mission for UTA to operate regular services in Europe, offi-cials also said yesterday the Government did not favour

court yesterday.

directly against Air France. The Government's long awaited decision on the future of the French airline industry are thus a big blow for UTA. Mr Jerome Seydoux, the chairman of Chargeurs and the independent airline's principal shareholder, had campaigned fiercely for the right to extend UTA's services to Europe and tants earlier this month.

ing the four to an armed antistate movement, as charged in the original indictment drawn up by the state prosecutor. It directed the charge should be changed to one of creating a be changed to one of creating a disturbance in a public place. The four had waved protest banners at the mass trial in Ankara of alleged militants belonging to the far-left Dev-Yol underground movement who were nicked un following

The judges also ordered that passports should be returned

EC environment ministers in unexpected breakthrough

monoxide and 8g for a combi-nation of hydrocarbons and

nitrogen oxides. Many manufacturers at the moment

respect 45g and 15g respectively, though these levels are not due to come into effect formally in the EC until 1990-91.

The so-called second part of the small cars package appears to have foundered over the

summer on French resistance to plans by the Dutch Govern-

ment to introduce special tax incentives to encourage the

manufacture of even cleaner

cars. These are specifically designed to promote the adap-

tion of catalytic converters, a technology from the US which is claimed to be more efficient

Date set for car emission controls

TOUGHER STANDARDS on emissions from small cars are set to be imposed on EC manufacturers from the early 1990s, following an unexpected break-through in negotiations by Community Environment Min-isters meeting in Brussels yes-

terday.
Under the agreed deal, which was blocked earlier this year when the French Government withdrew its support at the eleventh hour, the stricter exhaust levels will have to be implemented for new models of less than 1.4 litres by October 1, 1992, and for new cars of the

same size a year later. The standards are exactly the same as those provisionally approved by Ministers in June,

Unilever chief

speaks up for

1992 consumers By Laura Raun in

Amsterdem EUROPEANS should be able to spend less of their household budget on more and better products in the supermarket after 1992, says Mr F.A. Mal-jers, chairman of Unilever.

The head of the huge Anglo-Dutch food and detergent group last night predicted that abolition of many national food and drug restrictions would unleash a wider choice of goods. Health and convenience products will draw more atten-tion while "Europeanisation" of tastes would be tempered by regional preferences.

"The outcome will be a

wider range of more varied products in each country but a more uniform supply through-out Europe as a whole," Mr Maljers forecast. Economies of scale should reduce prices but he advised big international concerns to remain flexible in order to respond to new prod-

Mr Maljers also warned that imited consumer influence was a political problem because their interests could be trampled by small, aggressive pressure groups. "European consumers ought to be the ones who benefit most from the opening of the EC's inter-nal borders in 1992," he has said. "But strangely enough it seems that they risk becoming. a forgotten group. The fact that people are consumers has so far been of secondary importance compared to their other servant or dairy farmer or employee in an endangered branch of industry."

Copenhagen reopens stalled defence talks DENMARK'S minority government, criticised by Nato

allies for spending too little on defence, yesterday reopened stalled talks with the main opposition party on a new three-year defence budget, Reuter reports

Spending has been pegged at last year's level since March when the centre-right government and the Social Democrats broke off talks. The Copenhagen Govern

Hungary was to complete its portion of a controversial dam ment wants to increase the defence budget in the next plan on the Danube being built with by 6 per cent a year above Czechoslovakia. Thirty-two deputies who

at reducing pollution than the more familiar lean burn namely, 30g per test for carbon

Yesterday's breakthrough came after the European Com-mission promised to challenge the Dutch incentive in the European Court of Justice, when they are introduced next year, and use the subsequent judgment as a test case for similar national actions else-

where.
Undaunted, the Dutch Minister, Mr Ed Nijtels, said that the scheme would go ahead anyway and expressed his confidence that the Netherlands would win on the basis of an earlier environmental ruling in favour of Denmark. Lord Caithness, for the UK.

voiced strong reservations about Dutch-style tax incentives specifically intended to encourage three-way catalytic

converters.

France, meanwhile, which is concerned about the effect of the incentives on the unity of the European market, dropped its opposition to the package yesterday, but along with Spain issued a unilateral declaration that it understood the new standards would apply for at least five years.

at least five years.
Under the agreement, which
has yet to be endorsed by the European Parliament, the Council is committed to consider revised proposals from the European Commission by the end of 1991.

public and mixed ownership.
"Social" ownership will remain
the predominant model. The amendments make possible the issue of bonds and shares, and the creation of a securities market. The exis-tence of markets in capital,

Yugoslavia

set for big

economic

By Aleksandar Lebi in

AMENDMENTS to the Yugoslav constitution which

Yugoslav constitution which pave the way for a more market-oriented economy are expected to receive final approval from the country's federal assembly today.

The changes, which should help to reduce political interference in the economy, allow for new forms of control of economic units, including private,

nomic units, including private,

reforms

AMENDMENTS

Belgrade

labour and commodities will be officially recognised.

The new constitution should also facilitate foreign investment, and provides for full foreign ownership of Yngosiav

Among the most fundamental changes is the replacement of the "Besic Organisation of Associated Labour" (BOAL, or worker-managed co-operative)

worker-managed co-operative) as the designated unit of economic activity, with the
broader term "enterprise". In contrast to the BOAL,
enterprises will have full title
to their "social property" such
as land. It will also be recognised that the purpose of an
enterprise will be to make profits a concent that has hitherto. its, a concept that has hitherto hardly been acknowledged. Banks will no longer be con-

sidered a "service to the economy": they will instead become independent financial institu-tions responsible for their own decisions, including those on how to invest their clients'

The Yugoslav National Bank will have an enhanced regula-tory role, more like a Western central bank, as opposed to its current status which is some-times described as that of a department of the Finance

Hungary expels envoy in row with Romania

HUNGARY yesterday expelled a political counsellor of the Romanian embassy, Mr Pavel Platona, in retaliation for the recent detention and expulsion by Romania of the Hungarian

Relations between Hungary and Romania have deteriorated

Government would seek a "coalition" with non-party citisens and would choose more of

and greater security for the private sector, declaring that

Hungarian public as well as to foreign partners in East and West by carrying out the economic reforms.

Mr Karoly Grosz, Hungary's Communist party leader, had until yesterday combined that role with the post of prime minister. He told Parliament tience over the pace of reforms "must not spill over into anar-

investment spending has risen faster than expected and consumer spending, fueled by

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Financial Times (Scandinavia) Ltd., Ostergade 44, Copenhagen, DENMARK

to quit over losses By John Wyles in Rome THE 12-member board of the Italian state railways, engulfed by scandal, vertiginous financial losses and an evident wasting of political confidence, yesterday put its back to the wall and invited the Government to each it.

Italian rail

chiefs ready

There will be no surprise if the five-party coalition matches the opportunity, per-haps even at a cabinet meeting today. Faced with the need to contain and reduce the public sector deficit, the Government no longer appears inclined to take a benign view of a man-agement which will preside over a L16,000bn (\$12.5bn) loss this year.

this year.

But the catalyst for action is the so-called "golden sheets" scandal which has led to the arrest of four Ferrovia Statale managers and magistrates' inquiries into the possible responsibility of Mr Lodovico Ligato, the railways' Calabrian Christian Democrat, president. Christian Democrat president. At the centre of the affair lies a Li60bn contract for disposable bedding which may have been awarded with a less than scrupulous regard for product and

price. Mr Ligato explained after yesterday's board meeting that the board did not intend to resign, but that its position was analogous to the board of a private company dependent on the confidence of its shareholders, in this case the Italian

of clearing out all of the top of clearing out all of the top management and installing a special temporary commissioner to run the public company. This could strengthen political support for a draft law being prepared by the Minister of Transport, Mr Giorgio Santuz, which would restructure the railway management – previously restructured in 1985 – and strengthen the ministry's powers of intervention.

Turkey likely to rights protesters

FOUR Greek human rights protesters were expected to be expelled by the Turkish anthorities today, after their case was referred to a minor

They were originally indicted in an Ankara state security court on charges carrying a mandatory jail sen-tence, following their arrest with other European demon-strators at a military trial of alleged extreme left-wing mili-

The state security court bench found no evidence linkwho were picked up following the 1960 military coup. The other 20 Greek and West

German demonstrators at the Dev-Yol trial were summarily deported the day after their detention.

passports should be returned to the four protesters.

There appeared to be some confusion yesterday about the manner of their departure. A statement by a Turkish Foreign Ministry spokesman said they would be free to leave whenever they wanted. A whenever they wanted. A Greek embassy spokesman contradicted the statement, however, and said their law-yers had been informed by the authorities that they would be

Polish foreign exchange reforms By Peter Montagnon, World Trade Editor

POLAND is to prune dramatically its central allocation of foreign exchange resources from next year in an effort to increase business efficiency and boost exports, Mr Andrzej Wojcik, State Secre-tary for Trade said in

London. Increased retention of for-eign exchange earnings by business, and government plans to auction more than \$2bn in foreign exchange to Polish enterprises will mean that the state will dispose centrally of only around 30 per cent of total foreign exchange

cent of total foreign exchange resources compared with 70 per cent this year.

Mr Wojcik told the London Chamber of Commerce that the decentralisation of foreign exchange was in line with prescriptions for the Polish economy by the World Bank. The

LOCAL government officials in

Gdansk, Poland's third largest industrial city and the scene of

clashes between the authori-

ties and the banned Solidarity

movement, are urging sweep-ing changes in the way local spending is financed.

The council wants up to one

third of the taxes levied in the area to be left in the hands of local councils to be spent as

they wish. The initiative coincides with

the appointment of Mr Jerzy'

Jedykiewicz, 42, a reformist industrial manager, as head of the province, to replace Gen-

By Lestle Colitt in Berlin

HUNGARY's long dormant.

neo-Gothic parliament on the

Danube Embankment yester-day rang with charges and

counter-charges over alleged

Mr Zoltan Kiraly, a Member

of Parliament, accused the "comrade speaker," Mr Istvan Stadinger, of "irregularities" in a key vote last month.

Deputies voted on whether

manipulation of voting.

By Christopher Bobinski in Warsaw

part of their foreign exchange earnings had been a significant factor in helping Poland's hard currency exports to rise by over 20 per cent in each of the past two years, he added.
This year Polish enterprises had been able to place some \$2bn in special retention accounts in the Polish banking system. Next year the amount would be increased and enter-prises would be able to trade

currency among themselves. Including the auctions, as much as \$5bn could thus become available to business next year at a market-clearing rate. The Government would retain funds for central pur-chasing of certain commodities such as medical goods and some limits would also be placed on market exchange

purchases by enterprises to prevent excessive imports of msumer goods.
"We're pretty sure that the

eral Mieczyslaw Cygan.

brought in at the outset of

The authors of the new tax scheme argue that failure to

barmonise industrial needs

with those of the local popula-tion has led to heavy pollution

on the sea coast while neglected housing health and transport facilities are contri-

buting to the unstable political

Dam democracy sparks Hungarian row

opposed the dam signed a peti-

tion calling for a secret ballot.

But Mr Stadinger called instead for the customary

show of hands which produced.

an overwhelming majority in favour of the Government's

proposal. Normally this would not have been surprising as 75 per cent are party members. But yesterday's session of parliament showed that disci-

pline is waning as pressure mounts for greater party

Mr Istvan Avar, popular

actor and party member, a "very sad" statement.

democracy.

Polish taxes, mainly on turn-

martial law in 1982.

situation in the area.

bank to intervene. Poland's official exchange rate is Zloty 490 to the dollar but the US currency costs as much as Zloty 2,700 on the black mar-Within a couple of years it should be possible for the offi-cial rate and the market rate for business to merge as the first stage of a long road

sive," he added. It should not be necessary for the central

towards currency convertibil-ity, Mr Wojcik said. Eventual success in this respect would, however, depend on finding a way to deal with the black At present Poland simply does not have the resources to satisfy the demand for dollars among private individuals, but Mr Wojcik reiterated his minis-

the Gdansk scheme, which the

paid by Western joint ventures in Poland is to come down to 40 per cent. while Western

partners will be permitted to

reminded his fellow deputies

they were all "still learning"

A conservative party deputy from Budapest said his constit-uents had demanded to know

why some MPs were allowed to make a "circus" out of parlia-

Mr Kiraly shot back that he

had raised the issue of voting irregularity precisely because

of growing openness in Hun-garian society. If the practice of democracy was to be called

a circus, he said, then this was

lect — confirming, as a result, Tuscan Italian as the nation's

The story is set in northern Italy against the background of the Spanish occupation. It contains vivid descriptions of the peoples' revolt in Milan

against the scarcity of bread and the impact of the plague,

not only on a suffering popula-tion, but also on the two lov-

ers. But all is not lost - it has

unexpectedly large wage

increases, has tended to run well above planned rates. The problem is that eco-

nomic reforms appear to have got ahead of themselves, the

Bulletin says. The decision-making process for enterprises

has been decentralised before

the authorities have had time to develop an effective market

dominant literary style.

pany growth.

democracy.

over and company profits, are collected by central govern-ment and then redistributed to draft law approved by the Pol-

the provinces. Supporters of ish Government on Monday.

try's view that the thriving black market in currency should be legalised. Gdansk seeks share of local taxes

Government has agreed to consider, argue that the direct linking of local spending to local revenues would improve local services and encourage local officials to support com-The basic rate of income tax

By Leslie Colitt in

commercial counsellor in Bucharest, Mr Karoly Gyorffy. The diplomatic incident, unprecedented in relations between two Warsaw Pact countries, coincided with the assumption of office by the new prime minister, Mr Miklos Nemeth, 40, who was formally approved by Parliament.

sharply following complaints from Budapest over the treat-ment of the 1.7m ethnic Hungarians in Romania, and over Bucharest's plans to buildoze thousands of villages in a Hungarian-populated area.

Mr Nemeth pledged on being elected that his reform-minded

its senior officials from outside the party.

He pledged a dramatic rise in private business ownership

private owners must have Mr Nemeth, a member of the ruling polithuro, said the party and government had to demonstrate their credibility to the

yesterday that legitimate impa-

Correction

A photograph in yesterday's Financial Times was of Mr Karoly Nemeth, a former Hungarian politburo member, and not as stated the new prime minister, Mr Miklos Nemeth.

FINANCIAL TIMES

Irish cabinet reshuffled

By Kleran Cooke in Dublin

THE IRISH Prime Minister, Mr Charles Haughey, has amounced a limited reshuffle of his cabinet following the appointment of Mr Ray Mac-Sharry, the former Minister for Finance, to Brussels as EC

Mr Albert Reynolds, Minister for Industry and Commerce, becomes Minister for Finance. Mr Reynold's place is taken by Mr Ray Burke, the former Min-ister for Energy, while Mr el Smith, a Minister of

State in the Department of Energy, joins the cabinet with charge of the energy portfolio. Mr Reynolds is regarded as a competent administrator, but without previous experience in finance. He first joined the cab-inet in 1979 as Minister for Posts and Telegraphs. His business career spans pet food and managing dance halls.

Mr Burke is a former auctioneer who at one time fell out

of favour with Mr Haughey but who has made a comeback.

expelled today. What seemed certain was that henceforth they would be

i persona non grata.

Italy set to close the book on masterpiece

By John Wyles in Rome MUCH of Italy was dazed with cultural shock yesterday by the news that a panel of educational experts may recommend that reading Italy's most celebrated modern novel should no longer be obligatory in may just leave individual and part of the national curriculum may just leave individual cabacity. Generations of young Ital-

Promessi Sposi (The Betrothed) or yawned their way through its many hunhave never tolerated ignorance of its story of the tortured

ians have either been enchan-ted by Alessandro Manzoni's I

schools to decide whether their pupils should be exposed to a work which is part historical novel, part moral tract and all the way through, one of the finest pieces of writing in the Italian language. For this last reason alone, dred pages.

But post-war authorities the defensive battalions in lave never tolerated ignorance litaly's vocal army of intellec-

tuals might liken a permissive

\$1.3bn in the surplus of the

rest of Eastern Europe. The Bulletin goes on to por-

tray a relatively rosy picture of Eastern indebtedness. The

sharp \$38.5bn increase to

path pursued by the young lovers, Renzo and Lucia, to a

Manzoni to a British govern-ment ban on any mention of according to the Tuscan dia-

Shakespeare in the national Mr Alberto Moravia, octogenarian author who did not read the novel at school, wrote in a newspaper yesterday that its story was "mediocre" but its literary style "is altogether something else."

If it were to be dropped from the literary curriculum then "you would jump directly from

Galileo to Svevo," he added authoritatively.

Written in 1827, Manzoni a happy ending.

record of conservative debt

to the dramatic decline in its terms of trade in the mid-1980s

The Soviet Union responded

Upsurge in Eastern European exports to the West is forecast

\$101.7bn in the region's net for-eign debts between 1984 and 1987 has frequently been misunderstood, it says. the dollar's appreciation since January is likely to lead to a decline in overall net indebted-

Though some countries, such as Hungary and Poland remain constrained by existing debts, others, particularly the Soviet Union, have a marked also paints a relatively bright that a large measure of macro-

system subject to the discipline

part of the Soviet Union and other Comecon countries and an expected further decline in

for Europe.

The past few months have

seen an upswing in East-West

trade after four years of stag-

nation, but despite optimism sparked by region's economic reforms, the outlook remains

Though some of the factors which have shored up Eastern

European exports this year

may continue, imports are likely to remain constrained by

a reluctance to borrow on the

By Peter Montagnon, World Trade Editor Soviet terms of trade as a Terms of trade AN UPSURGE if hard currency exports to the West, sluggish imports, and height-ened inflationary pressures as result of falling energy prices. In volume terms, East Euroan exports to the West rose a result of economic reform are by 6 per cent a year in the first half of this year while a partic-ularly high rate of growth of 12 among the main features of East European economies analysed today by the United Nations Economic Commission

per cent was registered by the Soviet Union. Among the reasons for this, the Bulletin says, were high import demand in the West, organisational changes in East-ern European economies including a more realistic exchange rate policy and in the case of countries such as Hungary and Poland, pressures resulting from high debt bur-

A large part of the increased Soviet exports was accounted for by higher fuel deliveries, a policy which the Bulletin expects Moscow to continue in

Eastern Europe 120

Despite their improved export performance, imports by Eastern European countries wed almost no change in

Union rose by 10 per cent. This was insufficient to offset the marked reduction in import volumes over the two previous years and was largely accounted for by grain purchases from the US.

Theoretically, the lag between growth in import volumes. umes and that of exports should lead to an improving trade balance for Comecon

volume terms during the first half, but those of the Soviet

changes, particularly for the Soviet Union, when trade figures are examined by value and invisible earnings are factored in. It projects a decline in the Soviet current account balance of payments surplus to \$6bn from \$7.8bn in 1987 and a smaller drop to \$700m from

countries as a whole, but the Bulletin says the picture

This largely reflects valuation changes resulting from the decline in the dollar's value. Only \$5bn was due to actual new borrowing, it says, and although some countries may be net borrowers this year

by forcing up exports, increasing gold sales and constraining imports. Now it is unlikely to emerge as a major borrower. The Bulletin has identified \$10bn in trade credit lines signed up or under negotiation by the Soviet Union during recent months, but it cautions that on the basis of current policy the credits are unlikely of appropriate policy instru-to be fully drawn. The Bulletin ments. In effect there is a risk

picture of growth prospects for economic control may be lost, the region this year. Real growth in 1988 is expected to be around 4.7 per cent, it says. in Hungary and Poland where This will be roughly double price rises are already running last year's 2.3 per cent, even if at 15 per cent and 70 per cent it is below official targets of 5.9 respectively, but also in the per cent.

AMERICAN NEWS

Reagan vetoes ethics legislation

By Nancy Dunne in Washington

PRESIDENT Reagan, whose-administration was rife with ethics scandals, has vetoed leg-islation to tighten and extend restrictions on lobbying by gressional employees and ex-

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It was the second time this month that the President refused to sign — and thus vetoed — ethics legislation. In the first instance, he killed a bill to protect "whistle-blowers" — federal employees who go public about abuse and freed in their department. fraud in their departments. In amouncing the veto, Mr Marlin Fitzwater, the White

House spokesman, called the bill "frand, excessive and dis-criminatory". Its restrictions would discourage talented peo-ple from entering government service, he said.

In Washington in recent years, lobbyists have gained in numbers and influence over both legislation and executive branch actions. Often govern-ment employment, either for an administration or on Capi-tol Bill, has become simply a temporary step providing the contact and inside knowledge necessary on the way to a lucrative career in lobbying. Mr Lyn Nofziger, a former

close aide to President Reagan, was convicted of illegal lobby-ing activities under current ethics legislation, which prohibits all executive branch and independent agency employees from lobbying former employ-ers or agencies on matters in which they were "personally and substantially" involved.

Mr Michael Deaver, another close Reagan associate who became a lobbylist, was con-victed of perjury involving his lobbying activities.

The vetoed legislation would

for the first time have extended restrictions on lobby-ing to former members of Con-

gress and their senior aides. It would have extended the current legal prohibition on lobbying, from matters in which an official was personally and substantially involved to include those matters about which the official advised.

which the official advised.

It would also have barred the top 73 federal officials from contacting other presidential appointees for one year after leaving government.

Vice President George Bush refused to endorse the legislation, although he has promised to introduce his own version after taking over as president.

US drought lifts Argentine

trade surplus ARGENTINA has recorded a sharply improved trade surplus for the first eight months of 1988, according to official figures just released, Gary Mead writes from Buenos Aires.

The improvement, by 245 per cent over the same period for 1987, means the country achieved a trade surplus of \$2.25bn (£1.25bn) between January and August this year. Last year the surplus for the whole year dropped to \$539m, against surpluses of \$2.13bn in

against surpluses of \$2.130h m
1968 and \$4.58 in 1985.

The improved figures derive largely from the effects of the drought in US farming areas in June this year, which drove up international grain prices.

Argentina, heavily dependent on cereals and related products for export earnings, benefited for export earnings, benefited

considerably. Exports for the period in question grew by 32.6 per cent (to \$5.76bn), while imports fell slightly, by 4.8 per cent (to \$3.5bn).

Democrats face colour problem

Stewart Fleming on the legacy of the presidential election

HE election button most in favour whites who vote primarily on racial last weekend in Phoenix, Arizona, at the first post-election gathering of the Democratic Party's state leadership since the presidential election on November 8. read: "If it ain't broke don't fix it.

The Kirk in question is Paul Kirk, chairman of the Democratic National Committee. Judging from informal soundings among party officials attending the meeting of the Association of State Democratic Chairs, a sigh of relief would be heard from this influential party conclave if the 50-year-old Mr Kirk would agree to stand

for re-election for another four years.

This would mean that the Democrats would not have to endure a succession battle featuring Mr Ron Brown as one of the candidates.

Mr Brown, a 46-year-old Washington lawyer, is regarded by many Democrats as a man of integrity and ability. A former top aide to Senator Edward Kennedy, he is also seen as a man of independent judg-ment who would not be dictated to by any

part of the Democratic Party.

So why not elect him? The answer is that he is black and that he managed the final weeks of Rev Jesse Jackson's presi-dential election campaign.

Democrats suspect that, were Mr Brown to be elected DNC chairman, the top job in the party organisation, public perception of his selection would be that he is Mr Jackson's man and that the controversial former civil rights leader was considerably strengthening his influence in the party, pulling it to the left.

Some Democrats argue that this perception would be mistaken. Mr Brown is first and foremost a party loyalist and nobody's cipher, they maintain. Indeed, as a black, he is arguably in the best position to stand up to Mr Jackson when the black leader's views clash with what are more generally seen to be the broader interests of the

Nevertheless, they fear that whatever the reality the choice of Mr Brown would tend further to weaken support for the party among white voters - not just grounds, as many do, but also other traditionally Democratic voters, including Jews, who find Mr Jackson or his left-of-centre policies unacceptable.

Conservative Democrats who want to see the party moving more to the right, particularly on defence issues, argue that by joining Mr Jackson's campaign Mr Brown, whatever his strengths, made a political statement about his ideology which cannot be ignored now the campaign is over.

The controversy over the choice of the next DNC chairman, and Mr Brown and Mr Jackson's roles in that selection, are putting the spotlight on the broader problems the party faces.

One of these, which can no longer be evaded, not least because of Mr Jackson's prominence, is how to deal with the dilemma that when it woos black voters, its most loyal constituency, it often alientic. Conservative Democrats who want to

its most loyal constituency, it often alienates many white working-class voters, whose support is critical in presidential

The results of November's election have underscored the challenge and triggered much soul-searching in the party.

rit polling showed that nationally close to 60 per cent of whites, but only 8 per cent of blacks, voted for Mr Bush. In the south the loss of white support for the Democrats in presidential elections is even more striking. Almost 70 per cent of whites voted for Mr Bush, who

carried every state in the region.

Racial polarisation, the failure of the party to prevent itself from being portrayed as soft on defence, drugs and crime, coupled with the unwillingness of many white working-class voters to foot the bill the control processing processing the processing processing processing processing the processing processing the processing processing the processing processing the processing processin for social programmes whose effectiveness they question, appear to be the dominant, but not the only, explanations of voting trends at the presidential level.

In contrast, at state and local level.

Democrats have been able to build bi-ra-cial coalitions or tailor their message to appeal to a local mainly white or black electorate, and so to hold the Republicans at bay.

Indeed, President-elect Bush will enter the presidency with the unenviable record of being the first Republican candidate this century to win the presidency in an election in which his party has lost seats in the Senate and the House. The Republicans also did poorly in state and local

elections.

This is raising concern among Republicans about prospects in the 1990 mid-term elections, when the party of a newly-elected President normally does poorly.

These successes at local level help to explain why the Democratic Party is not as demoralised as might have been expected by Mr Bush's presidential election victory, the third Republican presidential victory in succession and the fifth in the last six elections.

Reassured by their strength at local level, many Democrats hope Mr Kirk will announce, perhaps next week, that he is ready to serve another term. Since he would be assured of re-election, Democrats who oppose Mr Jackson see such a deci-sion as a way of avoiding a potentially bloody ideological battle with racial over-

The question of how the party can come to terms with the divisive racial and ideological challenges it faces would remain,

As one conservative Democrat argued this week, it is unhealthy for the party to be permanently excluded from the White House. This makes it more vulnerable to the entreaties of special interests and vir-tually impossible for the Democrats to set the nation's political agenda.

On the racial issue, some top members of Mr Dukakis's presidential campaign say today they were angered by the way, early in the campaign, he "ran away" from the party's black voting base, in effect turning his back on the party's civil rights heritage in order to win white voters.

tage in order to win white votes.

Perhaps, one midwestern party chairman remarked gloomily, we will only focus on the problems of blacks in the inner cities when we again face eruptions as violent as those of the 1960s.

The incredible shrinking cruzado By Ivor Dawnay in Rio de Janeiro

JUST two weeks back, it was hard to encounter the crisp new five thousand cruzado note. Yesterday, as Brazilians were handling them in bunches of tens bound together by dirty rubber bands, the first Cz10,000 bills hit the streets. The pace of inflation - offi-cially 27 per cent a month or about 1,600 per cent a year -

is systematically bringing Bra-zil to its knees. Only the super-rich with overseas bank accounts or large personal holdings of property, gold or other non-cruzado assets can escape the consequences of a currency that shrinks by a percentage. point a day.
When the cruzado was

launched as part of an anti-in-flationary package in February two years ago, 14 would buy you a US dollar. Today, the all-but-ignored official exchange rate is Cz558, while the busy black market

exchange houses will pay

The impact of this startling degeneration has changed life-styles and even lives.

For the embattled middle class, now in visible decline, housewives are for the first time dispensing with their maids, an unprecedented aus-terity measure involving a seri-ous loss of social status. Not too much further down that path, which eventually leads back to the shanty town, lies the sale of the family car.

Husbands, meanwhile, search daily for the best assets to protect the family wallet. The rich will buy stocks - the market is a surprising beneficiary from the currency's decline - property or even

whole companies.

For the less well-off, it is a constant juggle between inflation-indexed savings accounts, gold and black dollars. Credit cards are popular as, judi-ciously used at the correct moment in the month, the hilling dates can save the full 27
per cent of inflation on any

But for the vast creditless bulk of Brazil's 145m population, there is no such protec-tion. Instead, little tricks are used to reduce the agony.

Always buy cash and take the 25 per cent discount. Try to make purchases at the begin-ning of the week when supermarkets' trade is down and the army of pricemarkers is working more slowly.

Remarkably, despite the dismal economic outlook and predictions of 35 per cent a month inflation next year, the extraor-dinary natural ebullience of the Brazilian people often still shines through.

They can even tell jokes about it. What, for example, is the definition of hyper-inflation? Answer: When it is cheaper to take a taxi than a bus, because you only pay a taxi on arrival. Latest forecasts suggest that this month inflation may dip to 26 per cent. Roll on the Cz20,000 note!

Daunting agenda for Mulroney

Winning the Canadian poll was only the start, reports David Owen

MARTIN BRIAN MULRONEY, fice. an Irish electrician's son, has good reason to be pleased with the firsts he chalked up in the Canadian general election. He was the first Conservative Prime Minister since the 1880s to win consecutive majorities nationally and also in Quebec. But these firsts will be ephemeral satisfactions as he contemplates a daunting sec-ond-term agends. His initial-task, legislation implementing the free-trade agreement with the US, the main issue in the election, is probably the easiest. Mr Mulroney will probably reconvene Parliament about December 12 to pass the legislation necessary for the agree-ment to take effect around Jan-

The opposition might disrupt debate, on the grounds that 52 per cent of Canadians, the sum of the support for the Liberals and the New Democratic Party, implicitly voted against the deal, but Mr John Turner, the Liberal leader, has pledged co-operation, which should suf-

That done, and with a new cabinet in place, the real work of Mr Mulroney's second term will begin, focusing on three main areas. He must proceed with the initiatives of his first four years; he must overcome his own lingering credibility problem and attempt to heal the rifts opened up by the cam-paign; and he must tackle the government budget deficit and accumulated public sector

On the first, the lengthy ratification process for the Meech Lake constitutional accord will to bring Quebec into the Cana-dian confederation for the first time and to transfer some powers from Ottawa to the provinces. It is the cornerstone of inces. It is the cornerations of Mr Mulroney's "co-operative federalism". Though endorsed by both opposition parties, it is thought by some powerful crit-ics, among them former Prime Minister Pierre Trudeau, to contain the seeds of Canada's disintegration.

Privatisation and deregulation will also proceed, with the pany, likely to be on the agenda. Revised legislation for deregulating the financial trust sector is also expected to be proposed in the short term. This has become bogged down

broad-based sales tax to place the cumbersome m facturers' sales tax, should also be introduced at some point.
Negotiations are under way
with the provinces to hammer

out a way for the reform to be introduced. While the overall package of tax reform will be revenue-neutral, its first phase, which will reduce government receipts, has already taken

The Conservatives' planned 15-year defence build-up is set

to continue. As a major element of this, the Government sale of at least a portion of is expected shortly to Petro-Canada, the C\$5bn announce its choice of design (£2.3bn) Calgary energy comfor a proposed C\$8bn (£3.6bn) for a proposed (\$3.6bn) fleet of 10 or 12 nuclear-propelled submarines. Britain and France are in the running for the lucrative design contract. The apparent volatility of the domestic electorate in the since the publication of draft campaign underlined the fact legislation last Christmas by resistance to certain proposed not trust their Prime Minister. ownership restrictions.

The second phase of tax reform, which will consist of a programmes could be at risk struck a chord. Mr Mulroney that the free trade agreement

> The prompt reintroduction of the parliamentary conflict-of-interest bill, which died on the statute book when the elec-tion was called, would help start this process on the right foot. So would ensuring a help-ing hand to those who lose out in the dislocations caused by

really is in the country's best

the trade deal.
With most economists projecting slower economic growth next year after five years of expansion, the Prime Minister will have to show that he

ones.

Outstripping his image problem, however, is the imperative of cutting the budget deficit and re-establishing control over the public-sector debt.

The deficit projected by the present Government for the fiscal weer ending March 1999 is cal year ending March 1989 is C\$28.9bn; net debt at the year-end will be C\$321bn. The cost of servicing the debt, which is equal to 54 per cent of GDP, amounts to some 30 per cent of

budgetary revenues – about the size of the present deficit. The dreaded "d-word" received scarcely a mention in the recent campaign, as the free trade agreement monopol-ised attention. Yet the growing need for restraint will be a hig consideration in any new policy initiatives
This will not be easy in the

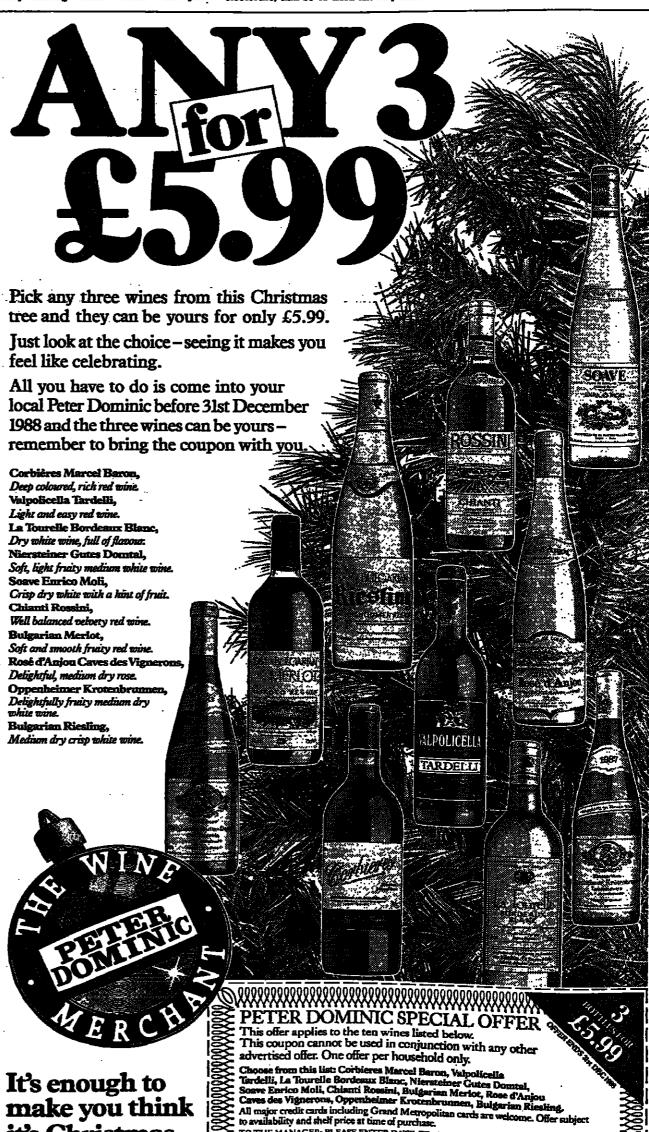
face of an expected economic downturn (which would reduce tax revenues), the redemption of Tory campaign promises, and the fact that after two years or so ministerial thoughts will again begin to stray to re-election. Significant initiatives in the 1989 budget, which will probably be delayed beyond February by the expected recess, are to be expected.

The problem, from Mr Mulroney's viewpoint, is that there

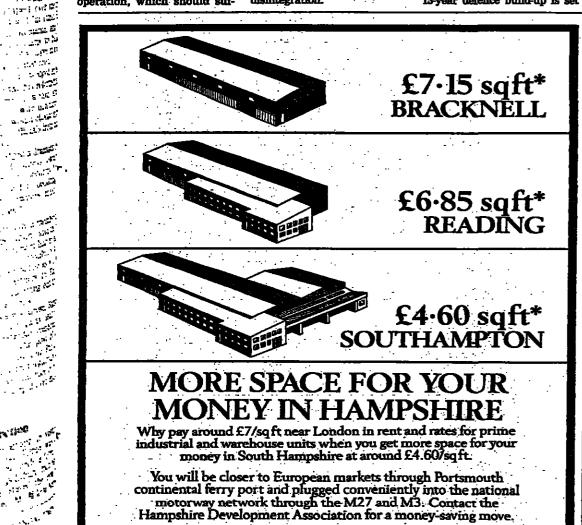
are no easy options in deciding where the adjustments will be made. On the spending side, social and regional developsocial and regional develop-ment programmes came during the election to seem more than ever inviolable, while the Gov-ernment would risk losing face were it to prune its ambitious defence-spending plans. Agricultural subsidies pro-vide one possibility particu-

vide one possibility, particularly if the Uruguay round of Gatt makes any headway. But here too, the Conservatives would be playing with dynamics.

On the revenue side, meanwhile, Mr Mulroney will presumably be reluctant to institute more taxes with the potentially unpopular new sales tax on the horizon. it's Christmas.



TO THE MANAGER: PLEASE ENTER DATE. TRANSACTION NUMBER AND DISCOUNT.



*Source: Debenham Tewson and Chinnocks 1987

For details of the opportunities for manufacturing and distribution in Hampshire and the Isle of Wight, post this coupon to the Hampshire Development Association, 13 Clifton Road, Winchester, Hams SO22 5BS or call Winchester (0962) 56060.

Half Australia's top ten exporters are Japanese

AUSTRALIA'S dependence on commodities, foreign capital and Japanese trading companies was under-lined yesterday with the publi-cation of a table showing the country's Top 500 exporters.
The listing, published in Australian Business, a weekly magazine, was said to be the first of its type and makes sobering reading. Five of the top ten exporters are Jeranese. top ten exporters are Japanese trading giants. Only nine of the top 20 are not foreign con-trolled, and just one is a manu-

The list, however, splits up the divisions of certain companies to allow easier comparisons. Had the minerals, petro-leum and steel divisions of Broken Hill Proprietary (BHP) been lumped together, Australia's largest company would have occupied the number one

As it is the top position, with an export revenue of A\$2.5bn, (£1.18bn) is taken by Mitsui Australia Mitsubishi Australia is at number four, C.Itoh at six, Marubeni at seven and Nissho Iwai comes in at ten. Also in the top 20 are Sumitomo and

Among the other foreign companies, Alcoa, the US aluminium group, comes in at five and Esso Australia at 16. The

S African arrested in bank scandal

THE HRAD of a financial empire based in one of South Africa's black homelands yesterday appeared in court on charges of fraud as further details emerged of a multi-million rand banking scandal, Reuter reports from

Johannesburg.

Mr Albert Vermaas, a white
Pretoria lawyer, was granted
hail in Pretoria's regional court after police arrested him on Wednesday on charges of fraud, violating banking laws, theft and contempt of court. His passport was seized. This week an official inquiry

revealed that companies con-trolled by Mr Vermaas, Euro-trust (Ciskei) and Eurobank, both based in the nominally independent Ciskei, an impov-erished Indian Ocean home-land had illegally taken land, had illegally taken R150m (\$62m) in deposits from about 600 South African inves-

The investors, lured by exceptionally high interest rates of up to 40 per cent, included the local arm of SOS Children's Village, the interna-tional charity, and the Federa-tion of Afrikaner Women, along with businesses and

along with businesses and other bodies.

The state Iron and Steel Industrial and the black National Union of Mineworkers said they had withdrawn deposits earlier, on learning details of the operations.

The 65,000-member Public Servants' Association said yesterday it had appointed lawyers to help safeguard its heavy investments with the companies.

omp<u>anies.</u> The South African Reserve Bank obtained a Supreme Court order this week freezing funds held by Mr Vermans and his companies, including the holding company Verco Heldings and instructing that

deposits be returned.

Police said they grounded the nine aircraft of Chieftain Aviation, a subsidiary of Verco, after several tried to leave from various airfields for foreign destinations in defiance of the Supreme Court

Central bank officials said they estimated the net book value of the group's assets at R123m. About R109m is invested in the striine, which ran both chartered and scheduled dieter.

The case could prove embarrassing to the Reserve Bank, which had repeatedly accepted assurances from Mr Vermaas
that his companies would stop
unauthorised deposit taking.
A Johannesburg newspaper
on Wednesday published a picture of Mr Gerhard de Kock,
Reserve Bank governor, sitting next to Mr Vermaas earting this year as his enest of es from Mir Ve lier this year as his guest of honour at a game farm owned

by the entrepreneur.

The case is the latest in a series of business scandals tied to the four black homelands, recognised as independent only by South Africa and each

UN Afghan move AFGHAN guerrillas gave a tepid welcome yesterday to news that Mr Javier Perez de Cuellar, the UN Sec-retary-General had taken charge of Afghanistan peace efforts from Mr Diego Cor dovez, his special envoy, Reu-ter reports from Islamabad. One guerrilla leader wel-comed the move, another said it was animportant. A third

Reform poses a conundrum for Lange

Dai Hayward discounts rumours of a cabinet coup against New Zealand's PM

R umours of an imminent cabinet coup against Mr David Lange, New Zealand's Prime Minister, can be discounted. But speculation continues over rifts between the Prime Minis-ter and his Finance Minister. The debate is over economic reform versus social reform: each faction agrees that both reforms are necessary but they differ over the emphasis each

should receive during the Labour Government's second The rift is emphasised by the fundamental differences in outlook of the two men. Mr Lange, with his background as a Methodist lay preacher, has an acute social conscience and a strong desire to improve life for all New Zealanders, particularly those at the bottom of the hear.

Mr Roger Douglas, Finance Mrister, is a hard-headed technocrat, dedicated to efficiency and economic reform who believes these must be in place before genuine social reforms can be systained.

can be sustained.

The exposure to market forces, the removal of subsidies and the rapid dismantling of protective barriers have hit some sectors of industry and of society exceptionally hard. Mr Douglas argues that these hardships are the inevitable short-term consequences of the drastic restructuring of the drastic restructuring of the

No other member of Cabinet or potential party leader has the numbers in the Labour



Douglas: concern to safeguard

Party caucus to defeat Mr Lange. They know that. So, too, does the Prime Minister, who has an efficient intelligence system and knows which MPs he can rely on.
Potential challengers also
know that without Mr Lange

show that without Mr Lange as leader, the Labour Government's chances of re-election in 1990 — which already look slim — would vanish entirely.

Those ministers grouped around the Finance Minister are like him dedicated to comare, like him, dedicated to continuing the heatic pace of economic reform. Others, including the Prime Minister, think that while the direction of reform should not change, more effort should be directed at contact the change to the change of the contact the

at social reforms to show the

public that Labour's policies,

and the pain they have brought to a large sector, have

Lange: unlikely to be ousted: as Prime Minister

The differences between the two men are not such as to induce Mr Douglas to mount or induce Mr Douglas to mount or even support a challenge to the leadership. Mr Douglas does not want to be Prime Minister. He is much more interested in spearheading the economic revolution which has had such an impact on the traditional way of life over the past four

years.
While the Finance Minister and Prime Minister might argue violently over the pace of change in Cabinet - and sometimes reveal their differences in public - Mr Douglas would not stand against the Prime Minister in any leadership tussle. If he did he would

Some sections of the media, which have sensationalised

some recent events, including the dismissal by Mr Lange of Mr Richard Prebble, former minister in charge of state-owned assets, would like to owned assers, would like to think otherwise. Reports have suggested, with little founda-tion, that a plot against the Prime Minister is being organ-ised and that a coup is immi-nent. All are wildly spagger-ated.

Not only does Mr Douglas does not want to be Premier, nor would any slowing down of his policies be sufficient aggravation to induce him to resign.

Mr Geoffrey Palmer, the deputy prime minister; is intensely loyal to Mr Lange. Earlier this week, in an effort to dampen down the mounting speculation, he unreservedly to dampen down the mounting speculation, he unreservedly and emphatically declared his loyalty to the Prime Minister.

Mr Mike Moore, the energetic fast moving Minister of Overseas Trade, has been counted as a possible leader, Mr Moore makes no secret of the fact that one day he would indeed like to be Prime Minister—but not as the result of a

maked like to be Frime Minister – but not as the result of a massy political fight.

Although he frequently captures the public imagination and applicable because of his well-defined sense of public relations, Mr Moore would not have the backing of enough.

When he a contender against MPs to be a contender against Mr Lange.
The man with the best

chance of taking over from Mr. Lange as far as popular sup-port among fellow MPs is con-cerned is Mr David Caygill.

Formerly Mr Douglas's right-hand man in the figures portfolio, Mr Caygill is now Minister of Health, an extremely effective cabinet minister with considerable ability. But he lacks Charlens and the doubt in the punch of most MPs would be whether in could take them to victory in 1990.

Mr Lange, however, not only has the numbers in caucus but also enjoys the popular apport of the public. His removal of Mr Probble enhanced that so Mr Lange is likely to be spaining the truth when he says he knows that there is no plot against him and he is unconcerned about the media spacelation.

But the continuing reports

But the continuing reports have created an uncertainty in the minds of the public and the business sector. The differences aired in public and the Lange's arbitrary moves to cancel some of the economic proposals announced by Mr

proposals announced by Mr Douglas, are undermining Labour's public popularity. Already traiting in the public common polas it needs a public demonstration by the Prime Minister and Finance Minister that both are still pursuing the same goals.

Mr Lange believes Labour will be re-elected in 1990 if it can deliver the social changes and improvements to the quality of life which he promised in 1990 he will almost certainly be the one leading them.

Gulf prisoner

swap rups

into trouble

THE BIGGEST prisoner swap between Iran and Iraq immedi-ately ran into trouble rester-day, when the first captives were flown home, Reuter

Both Iran and Iraq reduced

the number swapped at the start of the exchange. The two sides were meant to swap more than 1,500 sick or wounded POWs in hatches of about 100

following a ceasefire imple-mented in August.

Japanese industrial output ahead 2.4%

By Michiyo Nakamoto in Tokyo

JAPAN's industrial production for July to September rose 2.4 per cent over the previous quarter, according to the Min-istry of International Trade

and Industry.

The increase in the index, which reversed a modest decline of 0.2 per cent registered for the April to June period, was supported primarily by firm growth in personal consumption and capital investments as well a renewed

strength in exports.
The seasonally adjusted index representing production in the mining and manufactur-ing sectors, rose to 113.5 in the third quarter against a 1985

reflected buoyant demand for

parts, from domestic and over-

resources group CRA, which is 49 per cant owned by RTZ of the UK, would have been sec-ond had its Comalco alumin-

ium group (9), fron ore (11), diamonds (28) and coal (30)

operations been combined.
Of the BHP divisions, BHP
Minerals ranks number two,
with A\$1.98bn, while BHP Steel

stands at 13, BHP Petroleum at

15 and BRP Manufacturing at 67. Significantly, the next manufacturer to appear after BRP Steel is General Motors-Holden, at 32.

Among Australia's soft com-

modity exporters, the Austra-lian Wheat Board, which has a

monopoly of the country's wheat exports, ranks number

three, CSR's sugar division is at 14 and Australian Meat Holdings at 20. Elders Interna-tional Wool is at 23.

groups to rank prominently include MIM at number eight, North Broken Hill at 12, and

Western Mining at 17. Companies above the rank of

65 earned annual export revenues of more than A\$100m.

Perhaps the most unusual exporter listed is Koala Wine Estates. In 1987-88 it sold A\$2.5m-worth of wine and kan-

garoo scrotum purses to Japan, the US and West Germany. Its ranking was 408.

Other Australian mining

overseas was reflected in the shipment index for the third quarter, which was up by 2.2 per cent to 113.9. The overall rise in shipments

The overall rise in shipments represents a substantial increase over the 0.4 per cent gain registered in the period from April to June, while the rise in exports of 8.7 per cent was the highest since the January to March quarter of 1976. Miti expects industrial production to continue on a moderately upward trend and said the Government's growth forecast of 7.6 per cent for fiscal 1988 ending next March is Miti said the increase likely to be achieved even if production stays static for the intermediate goods, such as car remaining four months.

Taipei set for trade with Asian communist nations

By Bob King in Taipei

TAIWAN, in a policy turn-around, is laying the groundwork for direct trade ties with communist countries in South-east Asia – and it may establish indirect trade connections with North Korea. A trade board official has confirmed that it is consulting with other government bodies, including the Foreign Ministry, on various ways to implement or expand trade with such nations. The official declined to be specific but said the trend was clearly toward fewer restrictions on trade with communist nations in the region.
Indirect trade with arch-rival China, approved earlier this year, is expected to exceed \$2bn this year and Taipei is removing more restrictions on

the movement and import of Chinese goods. Talwan already allows direct

trade links with all East European countries, except the Soviet Union and Albania. The Foreign Trade Board has begun drafting guidelines similar to those covering trade with the Eastern bloc and these are likely to allow direct trade links with Asian commu-

nist countries. Taiwan this year agreed to allow businessmen to trade indirectly with Vietnam. Businessmen and some trade officials have been pushing for more direct connections, as well as expansion of trade links to include Kampuchea, About 40 businessmen and

Development Council left for Vietnam yesterday to explore opportunities for trade and

Laos and North Korea. trading experts from the semi-official China External Trade

seas markets.
The growth in demand from

uled flights.

Mixed reaction to

member of the fractious Pakistan-based alliance of seven guerrilla groups said as long as the United Nations was involved in peace efforts "we

Sharpeville reprieve fuels rights campaign

HUMAN RIGHTS lawyers in South Africa stepped up their campaign for the establishment of a commission to review the question of capital punishment yesterday as the government bathed in the unaccustomed warmth of international approval for President P.W. Botha's decision to grant a reprieve for the "Sharpeville

Their concern about the apparent arbitrary nature of the presidential elemency process has been underlined by the Sharpeville decision and by the last minute reprieve of Mr Paul Setlaba, a 23-year-old convicted "common purpose"

Mr Setlaba, convicted in 1986 for involvement in the mob murder of a black woman in a

By Andrew Whitley in Jerusalem

THE US State Department has

called on Israel to reopen edu-cational institutions in the

occupied territories closed for much of the past year. The clo-sures affect some 300,000

school-age children and a fur-ther 18,000 college students.

The school year in the West Bank was meant to have

resumed at the beginning of September, but has been repeatedly postponed without explanation. A new date of

December 1 was recently set for primary school classes, with older children due to follow at unspecified staged intervals, depending on the level of unrest in the district.

unrest in the district.

However, the military-run
Civil Administration confirmed
yesterday all higher education
institutions will remain shut
indefinitely. Mr Richard Murphy, an Assistant Secretary of
State, told Mr Moshe Arad,
Israel's ambassador to Washington, on Wednesday the US
attached great importance to
the responing of schools and
the restoration of normal life,

the restoration of normal life. The US believes this will have

Mr Nelson Mandela, the jailed black African leader, may not return to prison after he leaves a hospital, but will be kept under guard to protect him from possible assassins, AP reports from Johanessburg. Mr Pat Robertson, an evan-gelist and former US presiden-tial candidate, said President P.W. Botha told him during discussions in Pretoria that he "would not be returned to

"I believe President Botha in the Eastern Cape, was saved from the gallows only four hours before the execution

But five other black con-victed murderers were exe-cuted at Pretoria prison early yesterday morning. Their deaths raised the total of exe-

US urges Israel to open schools

a calming effect on the situa-

In response, the Foreign Ministry said yesterday it was

in full agreement on the need

to reopen schools. "It's in our mutual interests," said Mr

Allon Liel, the spokesman, "But the local leadership has to co-operate."

Earlier this month, Law in the Service of Man, a legal watchdog body based in the West Bank town of Ramallah,

described the prolonged clo-

sure of educational institutions as "blatantly illegal". It was

as "hiatantly illegal". It was said to constitute "an illegitimate exercise of power by the Israeli military".

Disputing the official justification for chosure = that the schools were centres of unrest — it said the authorities' conduct towards academic activity did not indicate a concern for

did not indicate a concern for

set up in private homes had also been suppressed, and teachers banned from provid-ing homework for their pupils. Rather, the rationale was felt

to be one of collective punish-

security. Alternative classe

was quite concerned that there's a real possibility Mr Mandela might be assassinated Mandela might be assassinated by people either to the left wing or the right wing of the country, and he doesn't want that", Mr Robertson said.

"He (Botha) said he did not feel (Mandela) would return to prison but would be placed in some type of - he didn't use the term protective custody, those are my words - in some

those are my words - in some other environment after he finishes his stay in the clinic." cutions thus far this year to

115 while 49 death row prison-

ers have been reprieved. Nearly 250 prisoners are still A statement by the Lawyers for Human Rights organisation yesterday welcomed the Sharpeville reprieve, but said

ment for a people who have traditionally but great store by education. The goal "is to raise the cost of the current uprising

in the hope that the will of the

in the hope that the will of the local population. will be broken," concluded the report. One after another, the West Bank's colleges and universities were closed down indefinitely between October 1987 and last January.

The Vatican-financed Bethlehem University was allowed to reopen on February 1, then shut again at the end of that

shut again at the end of that day. Two days later all primary

and secondary schools, both

public and private, were also served with orders to stop clas-

Those not in districts under curfew were permitted to reopen again briefly in late

May, for end-of-year examina-tions. Law in the Service of

Man - an afflitate of the Gene-

va-based International Com-mission of Jurists - said the

prolonged closure of all schools

and colleges appears to be without precedent anywhere in

ses until further notice.

this was "clearly the result of unprecedented international "The fate of the four white policemen (who were also

reprieved) was determined by local white politics. The ques-tion we ask is why should oth-ers who do not become political playballs be less fortunate".

The organisation condemned the "subjectivity" of the process as "totally unacceptable".

It called on the Government
to review the question of capital punishment "as a matter of

tal punishment "as a matter of extreme urgency" and urged Pretoria to set up a commission to do so.

Last year an estimated 164 people, mostly black, were executed in South Africa compared to 25 in the US, which has over six times the population.

But Ima, the Iranian news agency, said 36 POWs had sought asylum and 27 were no longer considered disabled by wounds or illness, Iraq retaliated by cutting the number of prisoners it was releasing into Red Cross custody from 41 to

In Geneva, the ICRC said it

was up to its organisation and not the captors to verify whether a prisoner wanted to stay or go home. Iran and Iraq still hold an estimated 100,000 prisoners taken in the war. Iran holds about 70,000 POWs and Iraq 30,000. The basis of the cease-fire is UN Resolution 598, which stipulates that Iran and Iraq exchange all prisoners. But the two sides are still far

Iraq exchange all prisoners

But the two sides are still far apart on a general release, a troop withdrawal to international boundaries, demarcation of the frontier and navigation rights in the Shatt al-Arab, Iraq's only outlet to the Gulf.

The father of the man killed by President Saddam Hussein's son has appealed to the Iraqi leader to drop an investigation into the incident.

"What has happened was decided by

Syria praises **Egypt on PNC**

SYRIA gave rare praise to Egypt, its arch-rival in the Arab world, vesterday for recognising the Palestinian state proclaimed by the Palestine National Council, in spite of what Damascus called pressure from Israel Rewter

of what Damascus called pressure from Israel, Reuter reports from Damascus.
A senior government official said Syria, at loggerheads with Cairo for nine years, approved also of Egypt's commitment to the Joint Arab Defence Treaty, which links Arab states.

Diplomats said his remarks were by far the warmest by Syria towards Egypt since Syria towards Egypt since Cairo signed its peace treaty with Israel in 1979. Damescus

ian media had toned down its normally strong criticism of Egypt over the past few

cut ties with Cairo the same

Syria has expressed support for the Palestinian state pro-claimed this month by the PNC at a meeting in Algiers, but it has not made clear whether this amounted to official recog-

"What has happened was. . . decided by God . . therefore we appeal to your excellency to stop the investigation," Iraqi newspapers quoted Mr Hanna Jajio, the victim's father, as saying in a letter published on behalf of his family on Thursday. Presidential servant Kamel Hanna Jajio died after Mr Hussein's son Uday, 24, struck him with a stick. A prominent lawyer said the call to President Hussein would lead to Uday receiving a light sentence.

Political ferment grows in Algeria during run-up to key ruling FLN party congress

By Francis Ghilès

AS ALGERIA'S ruling Front de Libération National (FLN) prepares for a crucial party con-gress on Sunday, the country is in political ferment.

Every day brings news of strikes, meetings, marches and its crop of outspoken newspa-per articles and petitions. This untying of tongues has even spread to the national assem-bly, all of whose members belong to the FLN which has held a monopoly of power since independence in 1962. Deputies at first refused to debate the government programme presented by the new prime minister, Mr Kasdi Merhah, arguing that they had not even received a copy of the text, let alone had the time to

At the end of the debate last week, much of which was unprecedentedly transmitted live on Alglers Radio, 21 depu-ties made history by voting

In the run-up to Sunday's congress, which must choose a candidate for next January's presidential election, the FLN is itself embroiled in a furious internal debate about the consequences to be drawn from October's riots, the worst since 1962, which claimed hundreds of lives across Algeria.
The one event which has

The one event which has most deeply shocked people here is the torturing of hundreds of Algerians, often youngsters, during the riots. Two weeks ago a number of those who had been tortured signed letters to the weekly Algerie Actualité, giving details of what they had endured. endured.

Such testimonies bring back memories of similar events during the bitter struggle for independence against France in 1954-1962 and have made many people speak out against the still much feared Securité

The SM is all the more the focus of attention as evidence accumulates that many people linked to the FLN and the SM actively encouraged, indeed in many instances organised, last month's mobs.

Strikes meanwhile are affecting many factories including the big oil and gas export ter-minals of Arzew and Skikda. It is quite impossible to sense

how much of the country is working, how much not. Life in Algiers and other major cities does appear normal. Those on strike are often asking for managers to be removed and for the official union and party cells to be dis-banded – and their demands

banded - and their demands are sometimes met.

Before the riots, workers were simply pressing for increased pay. Doctors, teachers, journalists and myriad other groups are trying to set up trades unions free of the FLN, as they have been encouraged to de so by the head of state, President Chadli Bendiedid. Bendjedid.

The outcome of the congress is impossible to forecast. Few observers would bet on the FLN allowing really free pro-fessional organisations to emerge, which would signify an end to the tight grip the party has always enjoyed on Algeria's political and profes-sional life. Yet President Chadli and some of his key advisers and ministers appear to be actively encouraging Whether the head of state

will agree to stand again if the congress rejects the remit for more radical reforms he feels the riots have handed him is an open question.

By appointing Gen Khaled Nezzar as chief of staff in replacement of the ageing Gen Belhouchet and Gen Lamine Zeroual as his deputy last week, Mr Chadli has kept up the momentum for change which has characterised his behaviour since the end of the

The authorities have been able to relax austerity a little, not least thanks to an esti-mated \$800m lent by Saudi Arabia and Kuwait. But no lasting improvement in living standards can be allowed in the near future if Algeria's hard-earned reputation of managing its foreign debt seriously is to be upheld.

Moves to promote joint ven-tures with foreign companies and relax the state monopoly of foreign trade could, together with greater freedom of expression, help the Prime Minister to sell a further dose of auster-ity. But will the FLN militants countrymen. How can a Pales-allow him any margin of tinian state be proclaimed



Children play among the debris of the October riots

At a big gathering of univer-sity teachers in Algiers on Tuesday, one speaker put his finger on a paradox which has

which promises a parliamentary democratic system of government, based on freedom of expression and minority rights, in a country, Algeria, in which those who rule appear to have little regard for those was a second to the country. little regard for those very

Cairo resumes normal relations with Algiers

By Andrew Gowers, Middle East Editor

EGYPT TOOK another step towards completing its rehabil-tiation in the Arab world yesterday when it and Algeria announced the restoration of full diplomatic relations.

A joint statement issued in Cairo and Algiers said the two countries had agreed to exchange ambassadors as soon as possible.

The move comes as a further sign that a loose alliance of moderate Arab states is coales. cing in support of the new dip-lomatic initiative which the Palestine Liberation Organisa Palestine Liberation Organisa-tion launched last, week in Algiers it will further isolate Syria and Libya, which along with Lebanon are the only Arab states still remaining without full diplomatic ties with Cairo.

Algeria, once among the leading radicals demanding cancellation of the Camp David accords, has been discussing a resumption of full relations with Egypt for some time But yesterday's move is believed to have been consummated with the assistance of Mr Yassir Arafat, the PLO chairman, who

visited Cairo this week for talks with President Hosni Mubarak after Reyst formally recognised the independent Palestinian state declared in The move may also have

been spurred on by Saudi Arabia, which recently pro-vided a sizeable loan to help Algeria through its current economic difficulties. Prince Salman bin Abdul-Aziz, the powerful governor of Riyadh, has been visiting the Algerian capital this week.

Member states of the Arab League decided to withdraw their ambassadors from Cairo in March 1979 after Egypt signed its peace treaty with

The official drift back began in September 1984 when Jor-dan resumed ties with Cairo, and accelerated as the Gulf states sought to engage Egypt as a counterweight to Iran in

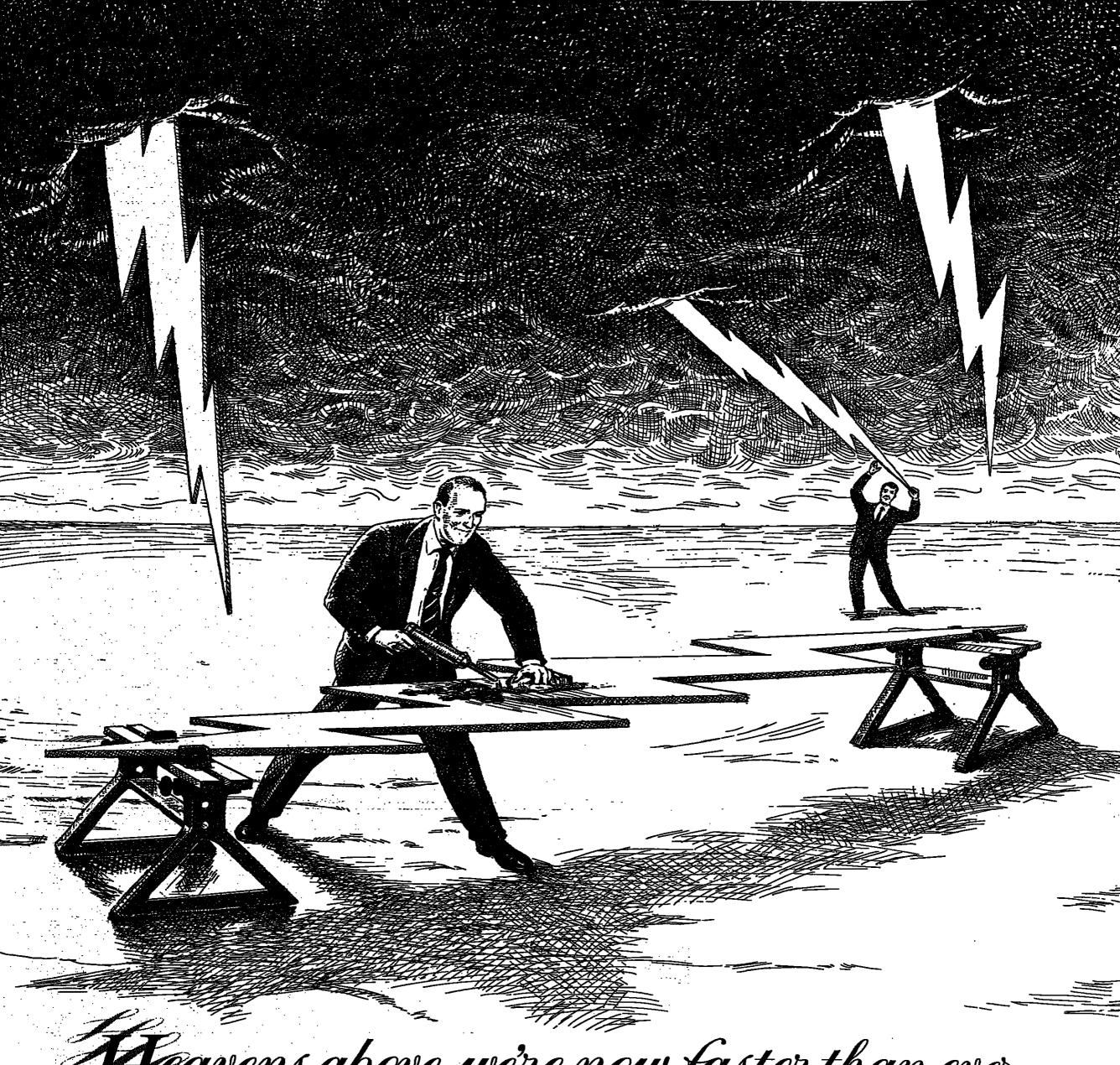
the Gulf war. Egypt remains excluded from the Arab League and from Arab summits, but this is now of little practical impor-





prisoner Funs trouble

> ು ಅದ್ದರ್ಶಕ್ಷ ನಿಜಾನ



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D INSURANCE SERVICES, CROWN BUILDING, CATHAYS PARK, CARDIFF CF1, SAY

By Gordon Cramb in Tokyo and Quentin Peel in Moscow

THE SOVIET Union has approached Japanese automo-tive manufacturers and trading houses with a proposal for a

houses with a proposal for a joint venture worth up to Y600h (£2.7hn) to produce small and medium-sized cars.

Mitsubishi Motors Corporation (MMC) said yesterday it was one of at least two car makers in the early stage of talks with Soviet officials. It described the issue as sensitive described the issue as sensitive but said the feasibility of such a project would be evaluated. News of the discussions,

which are also understood to involve Suzuki Motor, comes before the planned visit to Japan next month by Mr
Eduard Shevardnadze, the
Soviet Foreign Minister. Optimism in Tokyo that a car production deal could be
announced at that time was
being dispelled yesterday by

those involved in the talks.
If it goes ahead, however, the
estimated investment would rank such a project alongside the \$5bn Siberian petrochemical venture for which a protocol was signed two weeks ago.

That accord was reached with a Japanese-US consortium including Mitsubishi Corpora-tion, a trading house which has long been active in the Soviet market. It is believed to have brought the cars proposal to its affiliate MMC.

to its affiliate MMC.

The two members of the Mitsuhishi group would enter any venture together, while a pact with Suzuki would include Marubeni, another leading

martinemi, another leading trading company.

The Soviet authorities appear to be looking for any partner which would be able to provide much of the finance on the lines of a joint venture. Talks are also understood to have been held with Volkswahave been held with Volkswa-

gen.

A Mitsubishi representative in Moscow stressed yesterday that a joint venture would certainly be the most difficult option to undertake, and other possibilities included more straightforward technology trans

The Soviet problem is that its foreign exchange resources have been severely squeezed by the slump in international oil prices, and the Government is therefore keen to find any partner which can bring the necessary hard currency finance, and repay it from exports in the future. However, the big motor man-

ufacturers are not keen to threaten their own traditional markets with cheap Soviet exports of similar models. The Soviet proposal reportedly involves the initial production of 800cc compact cars

at a rate of 300,000 a year from 1990. The intention is later to add a one-litre vehicle of which around the same number of units would be produced, and possibly a 1.3-litre car as well.

The Soviet proposal is along similar lines to an approach announced last month by Mr Gianni Agnelli, of Fiat, for the Italian manufacturer to dupli-cate the huge factory built at Togliatti on the Volga.

However Mr Agnelli said that neither the car model, nor the means of financing such a huge expansion, had been decided in Moscow.

Confident Japanese blame US producers for low chip sales

THE Electronic Industries Association of Japan (EIAJ), in a strong rebuttal of US allega-tions of unfair trade practices in the Japanese electronics industry, has issued a report placing blame for the imbalance in US-Japanese semicon-ductor trade at the feet of US

chip makers.
The tone and content of the report, which is understood to be similar to a report by the Japanese Government given to US trade officials in Washington last week, reflect a growing sense of confidence within the Japanese electronics industry and an increasingly aggressive posture on US trade.

The purpose of the report, according to EIAJ officials in Tokyo, is to highlight Japanese efforts to resolve the trade dispute and to correct "misconceptions". The timing of its publication is, however, widely held to relate to Japanese efforts to persuade the US to lift trade sanctions imposed as a punitive measure for alleged Japanese failure to comply with the 1986 US-Japan semi-

cuductor trade agre The report contends that a lack of effort by most US semiconductor producers as well as a gross mismatch between the chip products made in the US and those needed by Japanese electronics manufacturers are behind the failure of US companies to achieve higher sales in Japanese

The EIAJ also rejects US claims that the trade pact promises increased market share in Japan for foreign semiconductor makers. The agreement called only for a gradual and steady" improvement in market access over a five-year period, the Japanese trade group claims.

The differing interpretations of the two-year-old trade agreement, as well as the wide dis-parity of views on the circumstances that have led to the trade dispute, forcefully dem-onstrate the gulf that remains between the industries and governments of the two countries over an issue that has become a key factor in US-Jap-

anese trade relations.

Conciliatory statements included in the EIAJ report to the effect that the Japanese recognise the importance of a healthy US semiconductor industry, do little to soften the blow of the Japanese charge that foreign chip makers are themselves responsible for the

trade problem.
Progress has been made, the Japanese assert, toward improving market access for foreign chip makers. They point out that the value of US semiconductor sales in Japan, measured in yen, rose by 87.5 per cent to \$465m in the second

An industry report reflects how wide the gap still is, writes Louise

quarter of 1988 and that foreign market share is up from 8.6 per cent to 10.4 per cent over the same period.

Kehoe

However, the EIAJ data mask the true picture, their US counterparts say. Sales in Japan were at an historic low at the time of the agreement, they say, and have stood at about 10 per cent for several years. Also, the apparent sharp increase in US chip sales in Japan, when measured in depreciated dollars, is in fact around 50 per cent, in line with the growth of the Japanese

semiconductor market. other US semiconductor makers should follow the lead of the five largest American chip ints, Texas Instruments, Intel, National Semiconductor, Motorola and Advanced Micro Devices, whose sales gains in Japan account for about 75 per cent of the total increase. The clear implication is that most US companies are simply not trying hard enough to sell in

The US side says that the reality, ignored in the Japanese report, is that the big five US chiomakers represent more than 70 per cent of their industry's domestic sales, so their leading role in the Japanese market is to be expected. Further, they say, it should be recognised that the investment needed to penetrate the Japanese market, exacerbated by the sliding dollar, is beyond the means of many smaller US

According to the EIAJ report, the US chip industry has little to offer Japanese consumer electronics manufactur-ers, who account for more than 40 per cent of Japanese chip purchases. Not so, says the US side. American chip makers have the technology required to produce chips tailored to consumer applications and are ready and willing to make them when and if the Japanese

place orders.

Desite their statements, however, US chip makers remain shy of the consumer electron-ics market, having suffered severe losses when video game and other consumer electronics fads wore off. In a bold asser-tion of their fair trade practices, the Japanese deny US allegations that they were responsible for forcing US chipmakers to abandon the memory chip business in the mid-

It was US industry blunders, rather than Japanese dumping, that forced Intel, the inventor of the DRAM, (Dynamic Random Access Memory), Mostek, Motorola, National Semicon-ductor and Advanced Micro Devices, to withdraw from DRAM production, the EIAJ claims, quoting selected con-

temporary press reports.

More than any other element of the EIAJ report, this argument has raised ire in the US. The well-chronicled demise of all but one big US DRAM man-ufacturer is overwhelmingly dominated by American complaints about Japanese DRAM dumping. These complaints were upheld by IJS government dumping investigations and led eventually to the signing of the trade agreement.

The European Community has separately concluded that Japanese companies dumped

ing the same period.
On a more positive note, the
Japanese trade group describes
efforts to facilitate foreign chip purchases. The executives of US semiconductor manufacturers' Japanese operations acknowledge these efforts as a significant factor in their recent sales growth. They

remain cautious, however, about the future.

Looming large in the US is the prospect of a downturn in the domestic semiconductor market. Already three of the top five US chip makers are projecting reduced profits for the current quarter. As domestic sales fall, pressure for increased sales in Japan will inevitably rise. If, however, as some analysts project, the Jap-anese semiconductor market is also moving into a period of slower growth, then Japan's market opening measures will

be put to the test.

EIAJ officials in Tokyo stress that it is the policy of the Japanese Government to increase foreign purchases, but they acknowledge that, in the event of an industry downturn, Japan's largest electronics companies, which are both producers and consumers of semi-conductors, would be forced to sustain their in-house semicon-

ductor groups.

Continuing trade friction appears inevitable. Indeed, the semiconductor trade battle is now seen on both sides as a long-term issue and preliminary consideration is being given to the constitution of given to the question of what happens after the fiveyear trade pact runs out in 1991.

Motorola asks EC to drop its cellular phone dumping probe

By Terry Dodaworth, Industrial Editor

THE British subsidiary of Motorola, the US-based elec-tronics group, claimed yester-day that it had won its antidumping campaign against a group of foreign cellular car telephone manufacturers and asked the European Commissien to abandon its dumping

The withdrawal of the Moto-rola complaint, first lodged with the Commission in early 1957, follows moves by NEC and Panasonic, two of the main Japanese cellular telephone producers, to set up manufac-

turing lines in Britain.
According to Motorola, the "steep price erosion" that had previously occurred in the cel-lular telephone market also diminished in the wake of the complaint.

"Given the continuation of such improvements, which eliminated much of the injury to Motorola's operations, Moto-rola concluded that the anti-dumping action was not neces-sary this time," the company

said yesterday. Prices have nevertheless continued to fall, with basic car telephone handsets selling in the UK for about £400 against £1,000 at the time of the complaint.

The Motorola case sprang to prominence because the EC action was originated by a company with a home base outside the Community. The complaint, however, was based on the experience of the company's UK manufacturing activities, which were bit hard by price competition from for-

Mr Don Burns, managing director of Motorola UK, said yesterday the group had suf-fered heavy losses in the car telephone business in 1986. He warned that the company would not hesitate to initiate another anti-dumping action if "serious dumping" of cellular products were to occur again. Motorola produces its car telephones at Stotfold in Hertfordshire, where employment has jumped from 300 to 750 this year as it has expanded its operations to serve the growing European market for mobile communications. The company is one of the four leading suppliers in Europe alongside NEC, Panasonic and Nokia Mobira, the Finnish-

Thai transit group votes on Bangkok contract

By Roger Matthews in Bangkok

A CONSORTIUM led by Lavalin International of Can-

Lavalin International of Canada has moved a step closer to
being awarded the \$1.2hn contract to build and operate a
mass transit system for Bangkok, capital of Thatland.
The Expressway and Rapid
Transit Authority of Thatland
has voted unanimously in
favour of the Lavalin proposal,
in preference to two other consortia. Further negotiations sortia. Further negotiations are scheduled with Lavalin before the contract is passed to the Ministry of the Interior and the full Cabinet for accep-

Businessmen in Thailand warned, however, that until final approval was gained, the door remained open for fur-ther consideration of the rival bids from the Asis-Euro consortium and the Franco-Japanese consortium.

The scheme for which the three groups have been hidding is for 36 kms of mainly elevated track, the rolling stock, 35 stations and all asso-ciated work. It is due to be augmented later by a second 24-km stage which would bring the total contract value to well over \$20n.

The consortium headed by Lavalin includes the Urban Transport Development Corporation of Toronto and Mitsubishi and several Thai partners. It has received strong finan-cial backing from the Cana-dian Government and is

advised by Morgan Grenfell. The Asia-Euro consortium, which for many months was considered the front-runner, comprises Leighton, Austra-lia's biggest contractor, with West German and Belgian

MAN, ACEC and Tractebel.

The independent consultant who assisted the Thai authorities in evaluating the bid are believed to have favoured the Asia-Euro consortium because they believed its technology was better suited to That con-

Lavalin is proposing to use linear-induction motor tach-nology rather than the conven-tional and heavier locomotivepulled trains of the other two bidders. Doubt has been expressed about the suitability of the lighter Canadian system to cope with the expected capacity of 600m journeys a year, more than double that on the Hong Kong M

Transport system.

The financing of the scheme is understood to have played a major part in swaying the major part in swaying the Thai authorities towards Lavalin. The Thai Government has insisted that it should have no more than 25 per cent of the company set up to build and operate the system and minimal financial risk.

A spokesman for the That evaluating committee said yea-terday that the Asia-Euro consortium's proposals had included the Government raising a \$280m loan in addition to taking a 25 per cent equity stake, a suggestion which went beyond its terms of references.

Study planned for NZ\$1.4bn power station By Chris Sherwell

A TEAM of US, Australian and A TEAM of US, Australian and New Zealand consultants is to conduct a feasibility study into the construction and operation of a privately-owned 1,000-megawati coal-fired power station in New Zealand's North Island and costing some NZ\$1.4bn (£500m).

According to CRA, the Australian mining and smelting group, 49 per cent owned by RTZ of the UK, which has commissioned the study, the station would use high-quality, low-sulphur, low-ash coal and be cost-competitive with alternative future generating sources in the North Island.

The proposal is intended to take advantage of new arrangements for New Zealand's electricity industry, under which private compa-mes can compete to generate power with Electricory, the government operation "corpor-atised" last year.

The feasibility study follows a successful pre-feasibility study this year. The station would come on stream in the mid-1990s, which CRA says would suit future electricity demand in New Zealand.

The consultants involved are Black & Veatch of Kansas in the US, specialists in coal-fired plant using Australian-type coals, and GHD of Australia, in association with Worley Consultants of New Zealand and Burmot Australia.

The station would be located near Marsden Point, near Whangarei, and will consist of four 250 MW generating units built in two stages. CRA says it expects New Zealand part-ners to participate in the project at a later stage.

UK NEWS

Nuclear mission with nowhere to go

James Buxton on why the Dounreay establishment is to be run down

NE PREASE trips repeatedly off the tongue of executives at Dounresy, the nuclear research establishment at Caithness in the far north of Scotland: "This is a circle research research of the standard research research research of the standard research res is a single-mission site." It encapsulates the problems of Domreay and of Caithness too. Donnreay's mission is to research and develop the tech-nology of fast reactors — nuclear reactors capable of extracting 50 times more energy from a given quantity of uranium than present day commercial reactors. It does virtually nothing else. Now, by order of Mr Cecil Parkinson,

Downreay: trying to dilute its single-mission role by seeking outside work

given up its world pre-ami-nence in fast-reactor technol-ogy, will have to turn for know-how to Japan, which is pressing on with a big fast-re-

pressing on with a big fast-reactor programme.

The UKAEA and Domneay
are still trying to persuade the
Government to change its
mind. The Domneay Action
Group, led by Mr Derrick
Milnes, the plant's union convener, began a long-term lobbying programme by making
the round of the party conferences this autimn. ences this autumn.

He says: "We want to keep the situation simmering with a the situation simmering with a political campaign for two years or so." After privatisation of electricity, a campaign is planned to win commercial backing from the electricity supply industry.

However, as Mr Jordan admires "It mould be upreally."

eliminate this rundown. It may be possible to slow it down, however." Specialists point out "it's a decision with which I profoundly disagree," says Mr Gerry Jordan, Donnreay's director. He argues that if the Government had said that fast-reactor technology might become economic within about 25 years as the United King. onstrator reactor would be built at Dounreay since there is not enough demand in Scot-

land for its output.

The rundown is already having its first effects. An unusually high number of Dounreay

One motive for getting out now is to avoid the collapse of house prices in nearby Thurso - almost a company town - that the rundown is likely to trigger. Even now, a family moving to the south can only expect to realise £30,000 or £40,000 for a detached house in

Dounreay is now trying to dilute its single-mission role by seeking outside, nuclear-re-

admits: "It would be unrealis-tic to think you could totally that it is unlikely that a dem-

staff are leaving this autumn. Mr Milnes says: "There's virtually no alternative employment for scientists within 200 miles

lated work. It has already won contracts for removing radioactive scaling from North Sea oil installations and believes it could build that into a film-a-

free business.

It recently hired the consultants Arthur D. Little to study other possible commercial outlets for its considerable engineers. neering expertise. But there is tacit admission at Dounresy ting it should have marketed itself more vigorously to the non-nuclear world before.

The county of Caithness itself is not a single-mission site. Even so, it is unduly dependent on Dounreay. The present Dounreay labour force accounts for nearly a tenth of the coordinate of the the 27,000 population of the county, and it is reckoned that several thousand more people depend in some way on the plant for their livelihood. Apart from Dounreay, Caith-

ness has arable farming, fish-ing and some manufacturing including Norfrost, one of Britain's largest makers of freezers. So far, unemployment is relatively low at just under 10 per cent.
Mr John Young, convener of
the district council, acknowl-

the district council, acknowledges: "The fact that the rundown is going to take place over nine years gives us quite a lot of time." The Highlands and Islands Development Board has commissioned consultants to report on the county's economic potential in view of the rundown.

Mr Young draws hope from the fact that a number of businesses have been started up in Caithness by former scientists from Dounreay and believes that more might follow them. Some Dounreay scientists, most of whom are newcomers from other parts of Britain, become wedded to life in Catthness, in spite of its fancious

winds, its remoteness and its winds, as removed and the lack of scenic grandeur. An organisation called the Calibness Jobs Commission has been started to help people parsme ideas for business. Understandably, many in Cattheess hanker after a con-

Caithness hanker after a continued nuclear role. The county is likely to be on the shortlist of places identified by Nirer, the Nuclear Industry Radioactive Wasts Executive, as possible sites for its nuclear wasts repository.

Nirer believes there is less opposition to that in Caithness than in most parts of Britain. Lord Thurso, the Democrat peer who is the county's biggest landlord, has made a pro-

gest landlord, has made a pro-visional agreement with Nirex, should it want to carry out test drilling on his land near the village of Altnabreac. Doun-reay itself is also likely to be listed as a possible repository

Yet although the district council initially invited Nirez to investigate the county, recently it went back on its decision, apparently thinking that Nirez, which is unlikely in the long run to be a large-scale employer, is a noor substitute. employer, is a poor substitute for Dommesy itself.

Lord Thurso hopes that if Caithness wins the repository, Dounreay can be developed into a nuclear reprocessing centre. Others suggests that there might be a role for it in decommissioning the Royal Navy's nuclear-powered sub-

However, those close to the nuclear industry believe that the repository is more likely to go to Sellafield in Cumbria, the anch of the waste originates.

Donnesy was founded to
carry out a specific mission. says one. "But all good things have to come to an end."

EEGB urged to adopt US energy policy

By David Green

THE CENTRAL Electricity Generating Board was urged at a public inquiry yesterday to follow the example of utilities in the US and include energyefficiency measures in its capi-tal investment programme, If such measures were intro-

the Energy Secretary, that mis-sion is to be terminated. He told the Commons in July that Britain's research into

fast-reactor technology was to be drastically cut. For Doun-reay, which employs 2,100 peo-ple, that means that the proto-type fast reactor — a 250 MW power station — is to close in 1902 of 20 years offer it came

1993-94, 20 years after it came on stream, and several years before the end of its natural life. The fuel reprocessing plant is destined to shut in 1997 the death with the

1997 when it has dealt with the last finel from the reactor.

The first cutbacks will bite almost immediately: because of the reduction in research,

some 300 people — half of them acientists — will lose their jobs at Dounreay over the next 18

months. By 1997 there will be only 400 staff left in a care-taker role. Mr Parkinson said

that Britain would not require fast reactor technology for 30 or 40 years. Meanwhile it will

keep a position in fast-reactor

technology "at an economic

25 years, as the United King-dom Atomic Energy Authority. Dounreay's parent, believes, it

would have been necessary to start on the next stage of the project — probably the build-ing of a demonstrator reactor

to prove the technology further — immediately after the closure of the present operation. By saying 40 years, the Government is ensuring that there will be a history, he believes.

"Scientists will go, and when you want them back they won't be available," Mr Jordan warns. He predicts that in the

21st century, Britain, having

duced in the UK, the proposed Hinkley Point C nuclear power station could be postponed or even cancelled, Mr Ian Brown, an energy analyst, suggested.

He was giving evidence at
the Hinkley inquiry, which yesterday examined the poli-cies of electricity utilities in the Pacific north-west region of the US, covering the states of Oregon, Idaho, Washington and Montana.

Plea for more

urban aid club

By Jan Hamilton Fazey

two years.

urban concerns.

SIR HECTOR Laing, chairman of United Biscuits and of Busi-

ness in the Community, yester-

sector were changing from dis-

missive detachment to an acknowledgement of construc-tive self-interest, but more had to be done.

Sir Hector said: "We cannot risk alienating a whole genera-tion of young people and long-term unemployed, espe-cially when there is an increas-

ing shortage of skills in some parts of the country."
He added: "If the UK is to

compete successfully in the

global market, we cannot afford the waste of human

Sir Hector urged more part-nership between private busi-ness and local and central gov-

ernment, involving also people who lived in inner cities. There

also had to be more support from business for voluntary and charitable bodies in touch

"Support for them is not phi-

lanthropy – it is another form of community investment," Sir Hector added.

resources and talent."

with the community.

members for

Mr Brown, research director of the Association for the Conor the Association for the Con-servation of Energy, set up by British companies in the energy conservation industry, said that in the US, many utilities considered energy-effi-ciency measures in establishing a least-cost investment riogramme.
Yet in the UK, investment planning was geared only to meet demand.

Mr Brown, who is also vice chairman of the European Energy Management Federa-tion, said that by ignoring investment in conservation measures the CEGB was fail-

possible cost. He said the technical poten-tial for electricity savings in England and Wales was equivalent to 11.6 per cent of elec-tricity consumption.

Mr James Libchfield, a senior

official of the North-west Power Planning Council of Portland, Oregon, told the inquiry that six privately-owned utilities supplying half the region's electricity were developing and implementing least-cost investment plans that included efficiency and conservation measures. The council was set up by the US Congress to develop a regional energy policy.

Mr Litchfield said bad invest-

ment planning in the past had eventually led to the need to stop work on eight nuclear power station projects at a loss

of \$7bn (£3.8bn). Miss Susan Hickey, an official of the Bonneville Power Administration, the north-west region's federal power market-ing agency, said studies had concluded that some conserva-tion investment was cheaper than building new generating

All three witnesses who gave evidence yesterday appeared at the inquiry on behalf of a con-sortium of 21 local authorities in the West Country and South Wales that oppose Hinkley

ing to meet its statutory duty to provide energy at the lowest Unionists renew internment call

By Our Belfast Correspondent

ULSTER Unionists yesterday renewed their call for selective internment for suspected ter-rorists after the IRA murder of

rorists after the IRA murder of a 67-year-old man and his 14-year-old granddaughter in a car bomb attack on a County Tyrone police station.

Church leaders, politicians and the police condemned the IRA's attempts to explain the circumstances leading up to Wednesday night's bombing.

The IRA said in a statement that a number of telephone warnings had been given before the blast. It said: "The IRA has nothing to gain by death of civilians, and in fact has much to lose in terms of support, and in terms of the propaganda use the British Government will make of this incident." day called on company chair-man to more than double the size of the Per Cent Club from 170 now to 500 over the next Business leaders in the club pledge up to 1 per cent of pre-tax profits to community pro-jects and affairs aimed at urban regeneration. Sir Hector told a CRI conference that com-panies could not opt out of involvement with Britain's The conference was on business opportunities in urban regeneration. Sir Hector said that attitudes in the private

Mr Jim Wilson, general sec-retary of the Official Unionist

Party, said the savage manders of totally innocent people justi-fied the use of internment without trial.

Mr Barney Lavery and his granddaughter, Emma Don-nelly, who attended a Roman Catholic convent school, died instantly when their car was instantly when their car was blasted off the road by the bomb cutside the unmanned Benburb police station.

It is the latest in the series of so-called "mistakes" by the IRA over the past year.

Mr Austin Currie, the local Social Democratic and Labour Party representative, said: "Let's not hear any hypocrisy about mistakes or accidents. Those who parked the van, loaded with explosives, with mirimal risk to themselves because the police station was

because the police station was unmanned, then fied the scene without taking any precau-

tions to prevent the loss of innocent life. I call people who do that cowards."

Dr John Alderdice, Alliance Party leader, said the bombing was a despicable act. Dr Alderdice added: "So much for this claims to be protectors of this claims to be protectors of the Catholic population."

Mr Ken Maginnis, the Official Unionist MP for Permanagh-South Tyrone, said the murders were another chapter in a sage of murder in his constituence.

"But I think that more sig-nificant, in terms of the kill-ings since the Anglo-Irish

ings since the Anglo-Irish agreement was signed, is that the IRA have now killed as many members of the Roman Catholic community as have Loyalist paramilitaries.

"They can hardly claim any longer to be the defenders of that community," he said.

Lonrho pursues Al Fayed court fight

By Raymond Hughes, Law Courts Correspondent

LONRHO, the international LONRHO, the international trading conglomerate, will today renew its attempt to force Lord Young, the Trade and Industry Secretary, to publish without further delay his inspectors' report into the acquisition of House of Fraser by the Al Fayed brothers.

The Court of Appeal will be The Court of Appeal will be asked to overturn a High Court judge's refusal on November 11

decision to await the views of the Serious Fraud Office before deciding on publication.

Lonrho is not challenging the High Court's rejection of its attempt to have Sir Gordon

to give Loutho leave to seek a judicial review of Lord Young's

Borrie, the Director-General of

Fair Trading, ordered to advise Lord Young to refer the acqui-sition to the Monopolies and Mergers Commission. Sir Gordon has now given Lord Young his advice, which has not been made public. In the High Court, Mr Jus-tice Macpherson said that Lon-

rho's applications were ill founded and unarguable. "They have shot from the hip and missed their target," he said, adding: "I am wholly convinced these matters should not have come to court now."

The judge said that it had been Lord Young's intention to

been Lord Young's intention to publish the report — which Lonrho believed contained "criticism and perhaps worse"

of the Al Fayeds — as soon as he could. However, he had been advised, not only by the Serious Fraud Office and the Director of Public Prosecutions but also by Treasury counsel, that he should not publish until the SFO had finished its inquiries.

inquiries.

It was quite impossible to argue that Lord Young had erred in taking account of that advice, the judge said.

"Indeed, it seems to me that he would be liable to be shot at on all sides by others had be on all sides by others had he acted to the contrary. It is up to him to decide what he

should do and in my judgment he cannot be faulted for the decision he has made."



prisoner runs

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Amersham

Britoil

BAA British Alrways

British Telecom

Enterprise Oil

Cable & Wireless

Rolls-Royce average privatised

Electricity supply

average public sector

average private sector

have awarded themselves sub-

stantial pay increases. The sal-aries of chief executives have risen by an average of 78 per cent in the year immediately

after privatisation and by 250

per cent in real terms since 1979.

Mr Bishop and Mr Kay point out, however, that salary rises are part of a process of catch-

ing up on the rest of the private sector, a process which

The growth in salaries is a product, they say, of the rapid growth of all top management

salaries in Britain and a reduc-

tion in the gap between public

ticularly critical of the role of

independent advisers and the

way in which the Government

essentially they appear to work on behalf of the management of the company to be priva-

tised, but are paid for by tax-

although considerable resources are devoted to the

process of privatisation "the process of discussion is con-

ducted mainly behind closed

example, are represented only

"What I like about golf is the warm up."

REMY MARTIN XO

Exclusively Fine Champagne Cognac

Only cognae made from grapes grown in Cognae's two best regions is entitled

to be called Fine Champagne Cognac

Interests of consumers, for

The authors claim that

Their role is ambiguous, but

The study's authors are par-

and private remuneration.

has used their work.

Post Office

may continue.

REMUNERATION (1988 prices. 2)

1979 Top xecutive

31,000

45,000

n/a

n/a 31,000

44,000

95,000

47,400

54,000

45,000

48,000

50,800

29,000

35,000

33,000

n/a

n/a 29,000

n/a n/a 24,000

33,300

37.000

48,000 35,000

35.000

37,600

Top xecutive Director

184,000 98,000 198,000 112,000

97,000

253,000

n/a 208,000

135,000

218,000

143,000

130,000 164,300

90.000

134,000 82,000

84,000 107,000

ests are among the Govern-

ment's concerns. Senior management interests, by contrast,

re represented very strongly

indeed. Very little of the expensively purchased advice and analysis is available to parliament in its legislative scrutiny of the proposals."

Mr Bishop and Mr Kay say that fees to financial advisers

and senior executives may

seem large to outsiders, although they may not be dis-

proportionate to the scale of

have to be offset against the resulting gains in efficiency. These do not have to be large

to repay those costs.
"But if it has no, or a negligi-

ble effect, then spending incurred in privatisation repre-

sents in part a waste of

resources and in part a transfer of them from the rest of the

population - the people who pay taxes but do not buy

There should thus be a par-

ticular obligation on those who

benefit directly from the pro-cess to ensure that privatisa-

tion promotes efficiency."

Does Privatisation Work?

Lessons from the UK, by Mat-

thew Bishop & John Kay, Cen-tre for Business Strategy, Lon-don Business School, Sussex

The cost of privatisation

64,000

50.000

142,000

87,000 96,000 71,000

90,800

65,000 69,000

83,000 56,000

64,000

WHATEVER the economic effects of privatisation, it has proved most profitable to the managers of companies priva-tised, the advisers to public flotations and initial shareholders in those companies, according to a study published yesterday.

"These rewards have generated a momentum behind privatisation independent of any economic benefits that might result from ownership change," Mr Matthew Bishop and Mr John Kay say in the London Business School study of privatisation.

The study is the most detailed analysis of the privatisation to be done since Mrs Margaret Thatcher's Government embarked on the sale of public assets after it won power from the Labour Party in 1979. It finds that privatis tion is neither necessary nor sufficient to change the character of companies, but that it has had beneficial effects in changing Britain's business culture.

The authors claim that by the way in which privatisation has developed in the UK, a powerful lobby in favour of privatisation as an end in itself has been created. "The interest is served mainly by the process of privatisation itself, rather than what subsequently hap-pens to the industry," says the

report.
"The effect on efficiency is decidedly a secondary question, and some possible routes to efficiency – such as regula-tion or restructuring – are viewed as undesirable obstacles which may reduce or delay the gains which privatisation will bring to financial institu-

Shareholders in privatised groups have gained a higher return on their investment relative to broader stock market measures. Part of this may have reflected the relatively large discount at which the has Government sold its corpora-

Financial and legal advisers have also made large returns, despite some ambiguity over their precise role in the privati-

Senior management of previously state-owned corporations to the extent that such inter. Place, London NW1 4SA, £10.

Industry cautious; opposition dismissive

THE Water Bill received a cautious welcome from the industry despite anxieties about the degree of regulation proposed, but opposition lead-ers and trade unions dismissed it as an unnecessary, damaging and political act, writes Rich-

ard Evans.

Mr Jack Cunningham,
Labour Party environment
spokesman, called plans to sell
the industry as "a huge rip
off" of the taxpayer.
He claimed the bill would

ensure that private enterprise obtained important assets while water consumers were expected to foot the bill for cleaning up the appalling pol-lution problem.

"It is totally unnecessary to sell the nation's water assets to achieve the environmental improvements that the Government says are its objectives. he said. In future the consumer would be left without a choice and private powerful monopo-lies would decide their policies for the nation's water supply

The Water Authorities Association, representing all 10 authorities in England and Wales, said the industry would have to meet higher standards after privatisation, but wel-comed the challenge. "All chairmen believe

strongly the water industry is a monopoly of such key importance to public health and the environment that it is better placed in the private sector under a defined system of regulation, rather than in the public sector under political regu-

It was clear from the Bill that the state as regulator was going to insist on higher stan-dards from a private industry than it has done from a public Mr Roy Watts, chairman of

Thames Water, the largest of the 10, welcomed the Bill's framework for setting and enforcing quality standards and applauded its protection for the customer. "Although the degree of reg-

ulation is considerable, it is nevertheless workable given a satisfactory licence," he said.

Strong controls for water protect the interests of con-THE WATER BILL, the biggest and most complex item of leg-islation of the present parliasumers: To establish a new statumentary session, confirmed with its publication yesterday that a heavy regulatory regime will be imposed on the 10 water authorities in England and Wales when they received in a year's time tory framework for the control

are privatised in a year's time, writes Richard Evans. The Bill, divided into two sections because of its bulk, provides the framework for the sale of the water utilities, which are expected to fetch between £5bn and £7bn. Its main purposes are:

• To establish a quango (quasi-autonomous non governmental organisation), the National Rivers Authority, to take over the responsibilities of the water authorities for water pollution, water resource management, flood defence, fisheries, recreation

and navigation; • To provide for the appoint ment of a Director General of Water Services, to keep under review the provision of water and sewerage services and to

of drinking water quality, river quality and other standards, and to update the law on the water cycle;

To provide the terms of appointment and financial

arrangements for the new water services public limited companies to provide water and sewerage services, and to appoint the 29 existing statutory water companies to continue to supply water in their

To provide for the transfer of the property, rights and assets of the authorities to the successor ples and to the National Rivers Authority;

To provide for the sale of shares of the new companies, although details will not be finalised until the prospec-tuses are prepared next

The first part of the 179clause bill establishes the framework for the new bodies, the National Rivers Authority

and the Director General of Water Services, to take over responsibility for the functions currently carried out by the

water authorities. Subsequent parts ensure the proper provision of water sup-ply and sewerage services, river protection and quality, and compulsory purchase powers to ensure that the industry's duties can be conducted

properly.

The bill shows that current net total public expenditure on the water authorities in England and Wales is about \$20m, and it is estimated that the Exchequer grant in aid for the first full year of the opera-tion of the NRA will be about

The authorities employ about 48,500 staff and the NRA will employ some 6,500, most of whom are already in post of whom are already in post within the authorities prepar-ing for vesting day next Sep-tember. On vesting day the authorities will all become public limited companies still in Government ownership before floation in November next year. next year.



Nicholas Ridley, environment secretary: charting a

THE BULK of the water bill is concerned with the new regulatory regime which will oversee the industry after privatisa-tion, Richard Evans writes.

An attempt has been made to strike a balance between too much regulation, which would make the companies unattractive to investors, and too little, which would lay the Govern-ment open to the accusation of ignoring the interests of the consumer and of the environ-

The National Rivers Authority, which will be responsible for all the regulatory functions of the 10 water authorities, will have a workforce of 6,500.

It will have a wide range of responsibilities, including maintaining and improving the quality of inland, coastal and underground waters, control of pollution, the management of rivers and other water resources, and the issuing of licences to industry for water abstraction.

It will also be responsible for land drainage and flood defence, the improvement and development of fisheries, navigation functions, and the provision of recreation amenities. The other aspect of regulation covered in the bill is to

ensure that the new companies

do not abuse their natural monopoly position through excessive price rises or reduced services to customers. There will, therefore, be a

system of licensed operators, and a director general of water services will operate a control This office will also cover the activities of the 29 statu-

tory water companies. These will be able to change to public limited company (plc) status after privatisation if they wish. The director general's wide range of duties and powers will include protecting the interests of customers of water and sewerage companies. He will monitor the activities and performance of all the water companies against the conditions set out in their licences

functions efficiently by comparing their performances.
This, it is hoped, will take the place of normal competi-

and will seek to ensure that

the companies carry out their

The director general, who will be chosen early next year, will be directly accountable to Parliament and independent of ministers. He will be supported by a Water Services Office, similar to Oftel and Ofgas, with a staff of 80 to 100.

The three main protections proposed for customers cover charges regulation, level of ser-vice, and ensuring the maintenance of vital underground

To protect customers from excessive price increases, the bill proposes a ceiling on aver-age price rises through a for-mula related to the retail price

This ceiling would be a condition of each company's licence, and each company would be set a different ceiling depending on circumstances. The overall charge limit will

be reviewed normally every 10 years, but there could be a review every five years if either the director general or the company saw a need for it. There will also be a formula devised which will allow com-panies to pass on in charges any unavoidable increase in costs from, for example, the European Community.

The new water pics will be required to prepare a code of practice to include a range of information for customers, including the service to be provided, tariffs to be charged, and payment of bills. It is confirmed that water

tax) values after the year 2000. but it will be up to the individcompanies to decide whether to adopt metering or an alternative form of charg-

Drinking water and river quality standards, which must get progressively higher because of pressures from the European Community, are safeguarded. Where standards do not com-

ply with regulations and no relaxation has been given, the pics will be required to draw up a programme of improve-ment, and there are powers to enforce compliance.

The bill contains a new criminal offence of supplying water unfit for human consumption which will be punishable by fines or imprisonment. The regulatory provisions

have been made tough primarily to protect the customer, but also to ease the passage of the legislation through parliament. The timetable for the bill is extremely tight, with a second reading debate and a launch of the line-by-line committee

stage before the Christmas recess. The intention is to get the bill on the Statute Book by July, to ensure the flotation of and sewerage bills cannot be the 10 authorities in November based on rateable (property of next year.

THE ELECTRICITY BILL

Minister 'to retain overall control'

THE SECRETARY of State for Energy is set to emerge as the unchallengeable supremo of Britain's electricity companies once the industry has been sold to private shareholders. This emerges from an unoffi-cial summary of the electricity privatisation legislation to be presented to parliament next

The summary, quoted in the current issue of Power In Europe, a Financial Times Business Information Newsletter, suggests that far from freeing the industry from Government interference, as promised in last February's White Paper, the Bill would consolidate power in the hands of the Energy Secretary rather than in the hands of the person he appoints to regulate it.

Quoting at length from the bill's perultimate draft if Business Information Newslet

bill's penultimate draft, it claims that the Energy Secre-tary would retain wide-ranging

tary would retain wide-ranging powers to direct and control the affairs of the private electricity suipply companies.

The minister would, for example, have the right to give orders relating to fuel stocks at all stations with a capacity of more than 50 megawatts. He would be able to order when and how these stocks should be used and for how long the power station should suspend operations.

operations.
On the nuclear industry, the Bill will provide for direct government subsidy of nuclear energy, giving the Energy Secretary the right to make direct grants or to give Treasury-

guaranteed loans, for any pur-pose connected with waste dis-posal, reprocessing or decom-missioning.

The journal comments: "It is hard to identify a single power which the Secretary of State for Energy is giving away or loosening. The politicisms and regulators will have codified to the state of the rights at every level of the sys-tem, in every aspect of the business of the privatised com-

panies and of new entrants. "Their right to demand, and publish, commercial informa-tion will have few limits. Noth-ing will be built, licensed or commissioned without their permission".

Comprehensive powers would also be given to the director-general of electricity regulation and the Monopolies and Mergers Commission would also be deeply involved

in the regulatory process.

As enabling legislation, the bill is notably short of fine detail on many aspects of how the industry will operate in practice. These will be embod-ied instead in the contracts and licences governing the conduct of suppliers and con-sumers and their inter-relation-

ships.

Fifteen schedules are attached to the Bill, most of which deal with relatively minor matters. The most concrete part of the Bill are its references to the regulatory system. Under it, the director general of the office of electricity regulation

will be appointed for five-

yearly terms by the Energy Secretary.

The director will set up con-

sumers' committees in the areas of the 12 distribution companies in England and Wales and the areas of the two Scottish utilities.

They will comprise between 10 and 20 members and a chairman, appointed by the direc-tor-general, and will serve as the basic consumer protection

The basic regulatory duties of the director-general and sec-retary of state would be: To promote competition in the generation and supply of electricity;

To secure that all reasonable demands for electricity are satisfied; and

To secure that licence holders are able to finance the continuation of those activities for

which they are authorised by their licences Subject to these consider-ations, they would have a duty to protect consumer interests on prices, security of supply and quality of services, as well as promoting energy efficiency. Although it would be an

offence to generate, transmit or supply electricity without a licence, the Energy Secretary would retain the right to waive the need for licences to individuals or power stations below a certain size. Clause 7 of the draft quoted yesterday sets out comprehen-sive terms for the licence, allowing the Secretary of State to write in or modify condi-

tions as seemed appropriate.
Under clause 8, the basic duties of licensees are to provide an economic and efficient supply and facilitate competi-

Clause 14 deals with the obligation to supply and the terms under which that supply is given. It exempts the area boards from obligation to sup-ply customers who have made arrangements kwith private suppliers, using the boards' distribution facilities.

Clause 15, dealing with tariffs, says they should be:

Framed to show the methods by which and the principles on which the charges are ples on which the charges are to be made as well as the prices to be charged; and Published in such manner as in the opinion of the supplier will secure adequate publicity for it.

Under Clause 24, the Secretary of State has the right to change the regulations as and when deemed necessary and

change the regulations as and when deemed necessary, and lists areas where special powers are reserved.

Clause 26 explains that the threat of fines will be used to oblige distributors to use a certain quota of non-fossil-fuel electricity (primarily nuclear power), which the Government requires in the interests of fuel diversity and environmental diversity and environmental benefit.

by Andrew Holmes, is available on subscription formightly from FT Business Information, Tower House, Southor London WC2E 7HA

Lonrho renews legal effort to free report on Al Fayed deal By Raymond Hughes, Law Courts Correspondent

today renew its attempt to force Lord Young, the Trade and Industry Secretary, to publish without further delay his inspectors' report into the acquisition of House of Fraser by the Al Fayed brothers.

The Court of Appeal will be asked to overturn a High Court judge's refusal on November 11 to give Lonrho leave to seek pudicial review of Lord Young's decision to await the views of decision to await the views of the Serious Fraud Office before

deciding on publication.

Lonrho is not challenging the High Court's rejection of its attempt to have Sir Gordon Borrie, the Director General of

LONRHO, the international trading conglomerate, will stition to the Monopolies and today renew its attempt to Mergers Commission.

Sir Gordon has now given Lord Young his advice, which has not been made public. In the High Court, Mr Jus-

tice Macpherson said that Lon-rho's applications were ill-founded and unarguable. "They have shot from the hip and missed their target," he said, adding: "I am wholly con-mined these matters should vinced these matters should not have come to court now."

The judge said that it had been Lord Young's intention to publish the report which Lourho believed contained "criticism and perhaps worse"

of the Fayeds – as soon as he could. However, he had been advised, not only by the Seri-ous Fraud Office and the Direc-tor of Public Prosecutions but also by Treasury counsel, that he should not publish until the SFO had finished its inquiries.

It was quite impossible to argue that Lord Young had arred in taking account of that advice, the judge said.

"Indeed, it seems to me that he would be liable to be shot at on all sides by others had he acted to the contrary. It is up to him to decide what he should do and in my judgment he cannot be faulted for the

BA to expand Gatwick flights

BRITISH AIRWAYS is to expand scheduled services from Gatwick Airport, south of London, next summer to han-dle 650,000 more passengers, writes Michael Donne. The airline now handles

some 5.8m passengers a year at Gatwick, of which 3.7m are scheduled passengers and 2.1m

are charter passengers.

The Gatwick expansion reflects a series of adjustments to routes and frequencies, after an airline scheduling conference held in Montreal by the International Air Transport

Association.
As a result BA was awarded some additional operating "slots" at Gatwick enabling the airline to go ahead with plans it announced last July to transfer several scheduled services from Heathrow, London, to



THE PROPERTY MARKET

Arguing the case for high yielders

By William Cochrane

here is a view among fund managers that high yield properties have had their day. They say that the mid-1980's highly vocal minority which went for high-righters should reserve the control of the contr yielders should move up-mar-ket. 'Prime' properties are producing annual returns of over 20 per cent with income and capital growth combined, so there is no case for taking the risks to which high yield-

ers are exposed.

But Mr Terry Goddard, property director of the Storehouse Group, is all for caution — on the part of other investors. He is responsible for the £42m property element of the £200m Storehouse combined pension funds and a committed fan of high yield property. He says that his end of the market — essentially secondary properties for specialist investors, perhaps a grade up from those offered in auctions — would be offered in auctions - would be ruined if too many people went into it. He contends that high yield properties, under good stewardship, are less risky than prime properties in what might be a tighter economic

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prime property to produce sustained high performance. "If you have a target return of 12 per cent and you're getting 4 per cent from income, then you need 8 per cent per annum of capital growth, he says. But if you're getting a 10 per cent income yield you need only two points from capital."

In this situation, he contin-

ues, a small downward regrad-ing of growth prospects would put returns on the low-yield-ing, prime property at severe risk. Yet the same conditions, he argues, would only produce a fractional reduction in the overall yield from the high-yielding, "secondary" stock. High yielders can rise or fall because they assume risk.
"The trick," says Mr Goddard,
"Is in the pick." For the tyro,
there are more characteristics to avoid, than to look for. The 'don't buys' include:

northern industrial sheds with the old-fashioned 12-foot eaves height, asbestos roofs;
- weary supermarkets in depressed town centres which no one is going to develop:
- 1960s offices, in northern

- run-down shopping centres in secondary towns, need-ing millions of pounds for refurbishment;

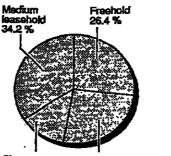
- messy, multi-tenanted, mixed-use buildings where the landlord pays part of the main-tenance bills;

 investments which are sold because they might get a big rent rise in four years' These rules are not written

in stone. "Having identified the don'ts," he says, "please do not assume that there is no money to be made from them - it is just that if you are needing advice from me what to buy and what to leave alone, then you'd be better off learning the ropes before you try the hang-man's knot." Meanwhile, the 'buys'

 long leases at low gearing (the land could be owned by someone who gets only 10 per cent of the total rent, and growth prospects. The long leaseholder can then sometimes buy the freehold, marry the interests, and make

Storehouse combined funds Analysis of holdings excluding farmland By type



sitting tenants pay the mainte-

Again, if the occupier is ICI or its ilk, the fact that this is a

northern shed may be less

of enduring attraction (here, Mr Goddard means that the

attractions are masked, or overlaid, by multiple owner-ship/leaseholds; and, finally, – initial yields of not less than 9 per cent, cash on cash.

"The advantage of sticking to a 9 per cent or more disci-pline," says Mr Goddard, "is

pline," says Mr Goddard, "is that this takes you out of the market when it goes daft.

Never be afraid to go through a period when you do not buy," he tells the investor. "It is that

underlying good property

- strong balance sheets.

nance bills:

By tenure

38.3 %

By location

setting himself a 15 per cent return. With a 9 per cent income yield, how does he get paid for Storehouse? With the help of Gordon Bloor & Comthe other six points? "Try to the other six points? "Try to stick with the property that someone will always want, and sooner or later a growth cycle will come your way," he says. And you should work the investment. "The ideal investment is one that fully magnied." ment is one that, fully married into a freehold let to a good covenant at market rent on regular reviews, would be a first grade institutional buy,"

be says. Stating the obvious? Perhaps. But here is the trick. "You want to buy a piece of that totality and try to fill in the missing bits," he advises. This may involve buying a leasehold and merging into the freehold, or buying an interest with a flawed letting — say, a 21-year review pattern — and rejig with the tenant. Playing the numbers," he says, "pays the biggest dividends." So what dividends have they

pany as retained agents, Mr Goddard has seen returns over the past three years of 26% per cent, 28% and 40 per cent respectively. "We have a tenyear average of 30 per cent compound," he says, "and what makes me happiest is that the worst year saw a 20 per cent return." The really spectacular, single property story is that of 54/62 Regent Street, an office

property with ground floor retailing, bought in January 1986 to yield 14 per cent. The Storehouse fund sold that in June this year for £5.6m. The rate of return to the fund was 85 per cent a year over the period in which the investment

The prime time

T the prime end of the market, rents and values are still surging ahead although there has been a drop in the rate of growth.

a drop in the rate of growth.

This week, a preview of the Investors Chronicle/Hillier Parker Property Market Indicators' shows combined shop, office and industrial rents increasing by 22.6 per cent per annum over the last six months, compared with 37.5 per cent per annum in the previous half-year.

Average yields were unchanged in November at 7.2 per cent but the trend is still down from the recent peak of 7.7 per cent in May 1987, reflecting a higher valuation

reflecting a higher valuation of the underlying rental

The ICHP team said that the slowdown in growth is across all sectors; but it is particuall sectors, but it is partially marked in shops, where rents rose by 23.2 per cent against 47.6 per cent previously; and industrials which the factor of the per cent previously; and industrials which came back from 47.9 per cent

to 24.4 per cent.
Strong occupational demand across all sectors is still noted, despite the slowing down in the pace of growth. The team says that the extremely high levels of growth registered during the first six months of the year were always unlikely to be sustained for the full twelve months.

The report says that the present, three-year growth period in rentals is the longest boom that the property indus-try has seen over the last 18 years; it has also been against a background of the much lower rate of inflation than in the previous boom periods. from 1972 to 1974 and from 1977 to 1980.

Features within the yield pattern indicate buoyant demand for investments in the demand for investments in the office and industrial markets; but shops remain uncertain, and despite yields remaining flat at 5.4 per cent over the last quarter, they have been on an upward trend since early 1985 and are at their highest level for 10 years.

Greg Nicholson, investment partner at Hillier Parker, com-

partner at Hillier Parker, commented this week: 'Shops, for so long the institutions' best friend, are now being replaced by industrials and offices on funds' shopping lists. Yields are edging downwards as a result of the competition to buy and strong rental growth has been evident in these sec-

"Activity is not just con-fined to the southern half of the country, either," he observed. "The Midlands and North are sharing the experi-ence. Development of business space property is again viable in these areas and yields look set to improve quite rapidly."

*To be published in mid De-

cember, price £10, by Hillier Parker Research and Financial Times Business Information

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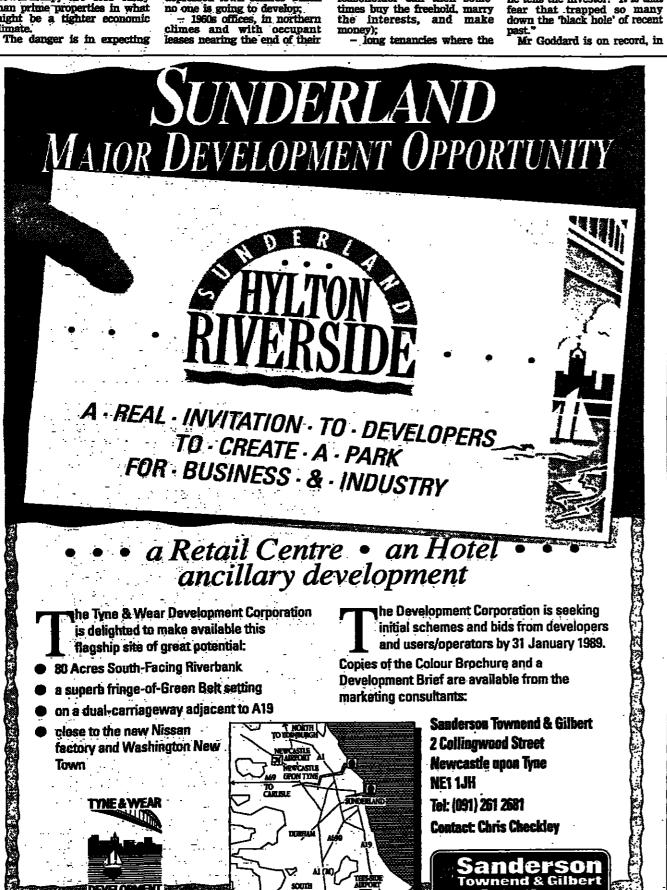
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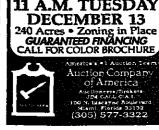
INTERNATIONAL **PROPERTY**



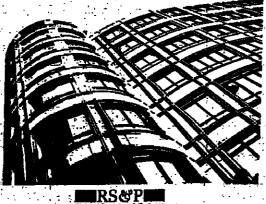








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MUSIC

London Philhermonic Orchestra conducted by Serge Baudo, with Philip Fowke (piano). Chabrier, Ravel, Milhaud, Bizet, Royal Festival Hall (Fri) (928 8900). Vienna Boys Choir, with musical director Georg Stangelberger. Purcell Schumann Brah Capiet, Kodály. Royal Festival Hall (Sun) (928 8800). Moscow Radio Symphony Orchestra conducted by Vladimir lenko (piano). Tchaikovsky, Pro-Hall (Mon) (638 8891). Philharmonia Orchestra con-

(violin). Rimsky-Korsakov. Glazunov. Vaughan Williams. Royal

Francisco Araiza recitai, Irwin

OPERA AND BALLET

Royal Opera, Covent Garden. net's Manon, gets a new production, by John Cox, in the 1987 designs, by Peter Rica. Leor tina Vaduva, David Rendall, François Le Roux, and Donald McIntyre take leading roles, and the conductor is Michael Plasson. English National Opera. Coliseum. The Mikado, in Jonathan Miller's jolly updated production returns for a further round of performances, with Susan Bull-ock, Bonaventura Bottone, Richard Angas, and Donald Adams in the cast. Also in repertory: The Making of the Representa-tive for Planet 8, Philip Glass's second opera for ENO: Miller's alist staging of Simon Boccane-gra by David Alden with Malcolm Donnelly in Verdi's title

Opéra. Notre-Dame de Paris, a inspired by Victor Hugo to Mau-rice Jarre's music with the Paris Opéra choir, Costumes by Yves Saint-Laurent (47425371).

Théâtre Royal de la Monnaie. The Mark Morris Dance Group makes its long-awaited debut

née (Mon) (47426727). Ensemble Orchestral de Paris conducted by Bernard Calmel, Jean-Marc Luisada (piano). Danel Lesur, Mozart, Haydn, Salle Gaveau (Tue) (42626971). Camerata Lisy de Gstaad conducted by Sir Yehudi Menuhin. Bach, Mozart. Théatre des Champs Elysées (Tue) (47203637). Paris Opera Orchestra conducted by Lothar Zegrosek. Messtaen Paris Opéra (Tue) (47425371). Orchestre de Paris conducted by Manuel Rosenthal, Debus-Dukas. Salle Pieyel (Wed, Thur)

Orchestre National de Belgique conducted by Georges Octors, with Lola Bobesco (violin). Men-delssohn. Palais des Beaux Arts (Frl.Sun) (512 50 45). Waterloo Chamber Orchestra conducted by Ulysse Waterlot with Marie-Noelle de Callatay (soprano), Dina Grossberger (contralto), Andre Gregoire (tenor). Chris de Moor (bass). Mozart. 50 45). RTBP Symphony Orchestra con-

ducted by Jose Serebrier with Maria Jose Morais (piano). Turina Seixas Ravel, Brahms, Mai-

Stuttgart Opera, concert version of Simone Boccanegra conducted by Sir Georg Solti, with Kiri te

L'Allegro, il Penseroso ed il Moderato, "a pastoral ode after

and Chorus (Fri), Ends Nov 29.

Paris with costumes by Yves

Opera. Last performance of Gra-ham Vick's successful production of Don Pasquale with Rolando Panerai, Barbara Bonney and

Bruno Practico. Lucidor, choreo-

graphed by Youri Vamos is revived. Der Nussknacker, cho-

reographed by Yourt Vamos, closes the week.

Hamburg

ems by John Milton" set to

Kanawa, Timothy Noble, Paata many. Mark Morris, director/ kova Olive Fredericks, Wladimir choreographer, opens the season with the premiere of his ballet

Atlantow and Piero Capuccili Don Carlos is sung by Linda Plech, Bruna Baglioni, Luis Lima, Jewgenij Nesterenko, hril-liant in the leading roles. Der Nussknacker is choreographed by John Neumeier.

Cologne Oper. Don Pasquale fea-tures Reinhard Dorn and Janice Deutsche Oper, Manon Lescaut has a strong cast led by Raina Kabaiyanska, Franco Bonisolli, Hall Manon Lescaut has fine interpretations by Danuta Sa Camillo Meghor, Lando Bartolini and Carlos Feller. Hänsel und William Murray and Victor von Wham Murray and Victor von Halem. Die Hugenotten is revived with Pllar Lorengar, Angela Denning, Richard Leech, Victor von Halem and Bengt Gretel has Tone Kruse and Gretei nas Tone Kruse and Machiko Obata in the main roles. Die Frau ohne Schatten stars Robert Hosfalvy, Mechthild Ges-sendorf, Reinhild Bunkel and Rundgren, Monte Pederson of Der fliegende Holländer. Also offered Hänsel und Gretel and Janis Martin. Stuttgart

Stuttgart Opera. Einstein on the Beach, by Philip Glass. Also this week are performances of the rarely played operetta Der version of Sunon Boccanegra. Dornröschen closes the week.

Opera. William Cochran sings the title role in Rudolf Noelte's production of Otelio, which fea-tures Helena Doese as Desdemona. Franz Grundheher as Iago. Margi Neubauer as Emilia, with Gary Bertini conducting. Il Bar-Staatsoper. Die verkaufte Braut is a well done repertoire perfor-mance. Othello is the highlight of the week with Gabriela Benacblere di Siviglia is well per-formed. Behind the China Dogs. The Vile Parody of Address and

Burchuladze, Paolo Coni, Carsten H. Stable, Peter Dvorsky, Uwe Hetlman and Helene Scheider-Beethoven. Recital Hall (Sat). Radio Symphony Orchestra conducted by Kenneth Montgomery, mann. Frankfurt Alte Oper (soprano) and Jane Coop (piano). Franck, Canteloube, d'Indy.

New American Chamber Orches-tra conducted by Misha Rachiev-sky, Elgar, Rossini, Schumann and Bartok. Philharmonie (Wed).

Berlin Philharmonic Orchestra conducted by Gerd Albrecht with Dmitri Alexeev (piano). Bar-tholdy, A. Petterson and Liszt. Philharmonie (Fri, Sat).

The Radio Philharmonic and the Vienna String Sextet conducted by Hans Vonk, with Pierre Amoyal (voilin), Brahms, Schönberg, Bach (Sat). Boyal Concertgebouw Orchestra conducted by Charles Dutoit with Victor Liberman (violin). Mozart, Bartok, Elgar (Thur).

Recital Hall. -

Rotterdam Rotterdam Philharmonic conted by Valeri Gergiev, with larc Laforet (piano). Borodin, Liszt, Shostakovich (Fri, Sun). The Hague Philharmonic and soloists, enducted by Peter Hirsch, Schat, Nono, Maderna

Utrecht 18th Century Orchestra under Frans Bruggen. Haydn, Mozart,

Montserrat Caballe (soprano). Teatro Comunale (Fri) Orchestra and Choir of the Mag-gio Musicale conducted by Gianandrea Gavazzeni, Rubini, Moussorgsky. Teatro Communale (Sat, Sun, Tues and Wed) (2779236).

New York

Jupiter Symphony conducted by Jens Nygaard with Claude Frank (plano). Beethoven. Avery Fisher Hall, Lincoln Center

Recital Hall (Sun, matinee) Liszt Festival, with Daniel Way-enberg and Toos Onderden-

wijngaard (piano). (Thur) Recital Hall.

Julliard Quartet, Beethoven, Carter and Cesar Franck, Audito-

rium in via Della Conciliazione

(Fri) (6541044). Orchestra dell'Ensemble Inter-

contemporain conducted by Pierre Boulez, with Stephen Roberts (baritone), Mary Vonne le Dizes (volin) and Pierre-Laurent Aimard (piano). Schönberg, Teatro Olimpico (Wed) (393304).

Claudio Arrau (piano). Teatro alla Scala (Mon) (80.91.26).

Pretty Ugly, jointly choreo-graphed by William Forsythe and Amanda Miller, will have nir", based on Giuseppe di Lam-pedusa's novel, The Leopard. (Tues) (46.17.55) their premiere this week.

Netherlands Opera co-production with the English National Opera of Mozart's Die Zauberliöte directed by Nicholas Hytner. The Netherlands Philharmonic under Donald Runnicles, with Amanda Halgrimson and Erich Knodt (Sun, matinee), (Thur). Muziektheater (255 455).

The National Ballet on tour with a programme of ballets by resi-

dent choreographer Toer van Schayk: a new ballet to music by Hans Werner Henze, Seventh Symphony (Beethoven) and Mythische Voorwendsel (Bartok). Sat, Sun (matinee) in Utrecht, Sat, Sun (manney in Ottern, Schouwburg (31 02 41), The, Wed in Rotterdam, Schouwburg (411 81 10), Thur in The Hague, Dan-stheater (60 49 30).

Opera. Donizetti's "poliuto" opens the season, a rarely given and demanding work, both for singers and orchestra. Jan Latham-Koenig conducts a worthy cast, led by Renato Bruson (Sun, Wed). Also two ballets to music by Nino Rota, "la Strada" with choreography by the direc-tor of the ballet company, Mario Pistoni, and "gattopardo souve-

New York Philharmonic conducted by Leonard Bernstein with Gideon Kremer (violin).

Bernstein, Tchaikovsky, Aver-Fisher Hall, Lincoln Center (Tue) (799 9595). New York Philleurmonic conducted by Zubin Mehta with Krystian Zimerman (piano). Men-delssohn, Lutowslawski, Avery Fisher Hall, Lincoln Center

Guarneri String Quartet. Mozart, Barber, Schubert. Kennedy Cenparter, Schibert Landery Cen-ter Concert Hall (Tue) (254 3776). National Symphony Orchestra conducted by Gerd Albrecht. Stravinsky, Schumann, Kennedy Center Concert Hall (Thur) (254

Virtnesi di Landelfi. Bruch, Clarke, Sen, Si-Di, Martinu, Uhl. Orchestra Hall (Mon) (435 3122). San Francisco Symphony Orchestra conducted by Herbert Homstedt. Mozart, Lindholm, Tchaikovsky. Orchestra Hall (Wed) (435 8122).

Philharmoulsche Streichersolis-ten, Berlin, Bach. Casals Hall (Mon) (449 8451).
Shinsei Nihon Symphony
Orchestra conducted by Makoto
Kokubu, with Andrei Diev
(piano). Tchaikovsky, Wagner,
Strauss. Tokyo Bunka Kaikan

(Tues) (985 4836).

New York

Metropolitan Opera House, Lin-coln Center. Performances of Madama Butterfly continue, con-ducted by Myung Whun Chung, with Yoko Watanabe as Cio Cio San, Brenda Boozer as Suzuki and Ciongio Lamberti as Pinlers. and Giorgio Lamberti as Pinker-ton. Kathleen Battle sings Rosina in Il Barbiere di Siviglia with Leo Nucci as Figaro and William Matteuzzi as Count Almaviva, conducted by Ralf Weikert. Victoria Vergara makes her 'Met' debut replacing Alicia Nafe as Carmen with Gary Lakes as Don ducted by Placido Domingo. (362

City Center. Joffrey Memorial Season. Ends Dec. 4. 55th St. E. of 7th Av. (947 5850).

Lyric Opera. Civic Opera House. Maria Ewing recreates the role of Salome she performed in Lon-don and Los Angeles in Sir Peter Hall's production, conducted by Leonard Slatkin, with James King as Herod and Franco Farina continues in the title role of Don Giovanni in Jean Pierre Pon-nelle's production conducted by Semyon Bychkov, with Carol Vaness as Donna Anna and Kar-ita Mattila as Donna Elvira. (332

EXHIBITIONS

The Boyal Academy. Henry Moore, a full retrospective exhibition to mark the 90th anniver-sary of the birth of one of the great artists and pre-eminent sculptor of the 20th century.

mey: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50. It concentrates on the painting rather than the graphic work of this most prolific of artists, who has enjoyed the most extraordinary popular success from the very start of his caree nearly 30 years ago. Ends Janu-

Louvre. 72 drawings constitute a panorama of Rembrandt's mas-terly work and can be compared with 54 drawings executed by his pupils. The other exhibition consists of 29 canvases by Rembrandtesque artists and is espe-cially interesting in view of the recent controversy about attribu-tions of some of Rembrandt's own paintings. Both exhibitious closed Tue, the first ends Jan from the Quai des Tuileries, opposite Pontroyal (42608926). Grand Palais. Seicento. Caravagglo's century in French collec-tions. A dramatic new produc-tion by Pier-Luigi Pizzi against a background of baroque music, some 170 paintings retrace the litalian school's triumphant progress from the end of Manierism to the final flowering of full-blown baroque. Closed Tue, late closing right Wed (42.56.09.24). Ends Jan 2.

Chanelle de l'Ecole des Beaux Arts, From Dürer to Baselitz Some 126 drawings lent by the Kunsthalle in Hamburg retrace the panorama of German graphic art. From the slightly rustic real ism of the 15th and early 16th century, with Hans Baldung Grien's solidly built Eve and Dur-

through the 19th century roman-ticism of Caspar David Friedrich, and on to the nightmarish contemporary images, the visual arts follow closely Germany's historical destiny. 14 rue Bona-parte (49.27.01.18). Ends Dec 31.

Le Botanique Contemporary Soviet Painting. Works of 12 modern Soviet painters including Steinberg, Rocter, Edzgveradze, Filatov, Chvikov, Yankilevsky. Closed Monday. Ends Dec 31. Musée d'Art Moderne, 1-2 Place Royale. The First Group of Lae-them-St Martin 1899-1914. A tribute to the colony of Flemish artists whose stylised paintings of rural and religious themes were to inspire a later school of Flemish expressionists. Closed of Flemish express Mon. Ends Dec 31.

years of Invention and Discovery.
Instruments and artworks
largely from collections in Belgium, China and Britain which llustrate Chinese innovations Musée d'Inclles, 71 rue Jean van Volsem, Belgian Art Deco 1920-40, Daily 13-19-30, Sat and Sun 10-17.00. Closed Monday.

Ends Dec 11. The Tate Gallery. David Hock-Ends Dec 18. Darmstadt Hessisches Lande diassworks and pointings of the British artist Brian Clarke will be seen for the first time in Germany. He made his name with his lead glass windows, for the

Louvre, Pavillon de Flore, Rem-brandt and his school are on show in two exhibitions at the Vienna Historiches Museum der Stadt Wien (The city of Vienna's Museum for history). A commen-oration of Kristallnacht, which took place throughout Austria on the night of November 9 and 10 1938. This exhibition, which 10 1938. This exhibition, which takes the form of slides, pictures and maps depicting Austria's 180,000 strong Jewish community before 1938, is an attempt by the Austrian Government to become more open about its ignominous past. Ends Jan 29. Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19. Palazzo dei Conservatori (Campi-

doglio). Glass of the Caesars. Queues are stretching right across Michelangelo's Piazza, waiting patiently for a glimpee of the immensely sophisticated mamental glass and tableware court. Until Jan 31. Museo Correr a la napoleonica: Giorgio de Chirico (1888-1978):

a major retrospective organised jointly by the Galleria Nazionale d'Arte Moderna in Rome and the Glorgio de Chirico Founda-tion to celebrate the centenary of the painter's birth. On show are over 150 works from public and private collections, including the Metropolitan and Guggen-beim in the USA, and the Pompidou in Paris, by a painter declared dead in the 1920s by Andre Breton, author of the surrealist manifesto, who disliked

Pinacoteca Nazionale and Museo Archeologico, Guido Reni (1575-1642). A splendid collection of paintings by the Bolognese mannerist painter, the first to bring the concept of physical beauty into sacred art. His deple-tions of the Virgin Mary have looks and temperament which recall Thomas Hardy's tragic

heroines. The paintings come from major Italian and foreign museums. Many have been restored for the occasion (such as the remarkable Massacre of the innocents), and some have not been on public display for many years. The Triumph of Job (also newly restored) had been hidden in the right-hand bell-tower of Notre Deme in Paris since 1797. Until Dec 8.

Metropolitan Museum. The first Metropolitan Museum. The trat major Degas retrospective for over 50 years has 300 paintings, sculptures and drawings cover-ing the artist's entire career and various interests, from early clas-sical motils and stiff portrains to the ballet studios and washesto the ballet stitutes and women that freed his imagina-tion. Ends Jan 8. New York Public Library. Two millennia of Hebrew books and illuminated manuscripts feat 185 rare and beautiful works. half from the library's own o lection and half borrowed from abroad. Among the rarest his-toric items are Dead Sea scrolls. the 13th-century Xantan bible from Germany and the Nahum

Art Institute. Paul Gauguin. The artist's first major retrospective for 30 years includes more than 230 objects and paintings from all the periods of his exotic and

National Gallery, Seven Centuries of Japanese Art, as it evolved under the feudal dainyo lords is the subject of a major exhibition of 450 specially designated Japanese national treasures, including paintings, sculpture, swords, painted scrolls, ceramics, robes and lacquer.

remonat Museum. Treasures from Horyuji. A selection of priceless artefacts from the great temple in Nara, donated to the Imperial Household 110 years ago and housed at the National Museum since 1824 Stational National Museum, Treasures Museum since 1964. Statues, scrolls, masks, metalwork and furniture, mostly dating from the period of the first great flow ering of Japanese art in the 7th and 8th centuries. Because of their extreme fragility, they are rarely placed on public view an extended period. Closed M

days. Nerima Museum, Japanese Abstract Sculpture. Of all forms of contemporary Japanese art, it is sculpture that has received the most interntional attention focuses on the formative years of abstract sculpture from 1945 to 1960. Closed Tuesdays. Nishimura Gallery, Ginza. Katsura Funakoshi. Recent sculptures by one of the Japanese artists who exhibited at this year's Venice Biennale and who works in wood in what is essentially a realist tradition. Closed Sun-

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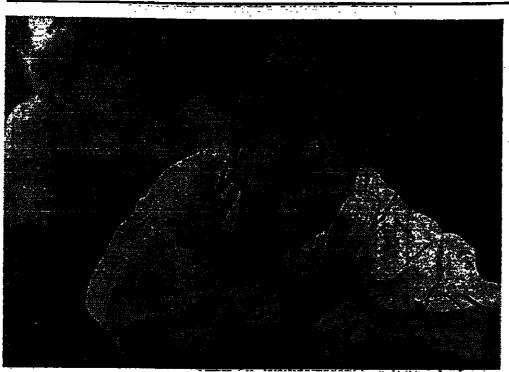
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movements of each character robotically going through the motions on his own axis, recalls the dehungarised bustle of a penny-in-the-slot machine. dominates Simon Vincenzi's darkling set is tilted to form the tunnel in which the miners hack at the coal-seam, and their nicks clang out in unison like Alberich's work-force.

Presented by Paines Plough, the proudly (and rightly) self-styled writers company, in conjunction with the Theatre Royal Royal, Plymouth, and the Derby Playhouse, this chronicle of a labour-management strangle in a Franch pit. ment struggle in a French pit-town throws up striking images and beautifully composed groups, as when the 14-strong cast forms a living frieze of watchfulness, defiance and despair. The poor are always with us (or, as capital blandly puts it of labour, "the politics of envy are never far from us"), and this is depicted

Pip Broughton's preduction of this adaptation of Zola's novel by acton-writer William Gaminara whiris us down to Nibelheim within a few minutes. The howling wind machine and the mechanical, repetitive movements of each character robotically going through the motions on his own axis, recalls the dehumanised bustle to appear provocative.

A cinematic flexibility super-imposes one scene on another. The workers' delegation marches up the white-clothed dinner table to confront the boss while the seated diners proceed imperviously; the miners line up naked to be sponged by the female attendant at the wash-house sink, so many docide horses waiting to be groomed, while the cuck-plied property owner gaves olded property-owner gazes wistfully at Mme Levaque as she washes her husband in his

This lack of rigidity allows the devil his due. The owners are as much victims of a sys-tem as the workers, brightly talking of things setting better in the face of economic difficu-ties, for all the world like a modern British prime minister speaking of "unparallelled

prosperity" from the third-world urban squalor of her world inval squator of her capital city. Emotional and sexual upheavals depicted without irony make the wronged husband's envy of his workers' family life perfectly credible.

Individual performances vary in style and achievement from the caricatured ogre boss to the realism of little Catherine, the girl miner, beautifully played by Debra Gillett, a real find. Lois Baxter's rich bitch looks and sounds too modern; Robert Patterson's Ulster-accented agitator is immensely promising but needs more vocal variation than his overnsed hollow bellow. Elleen Pollock's miner's wife, finally demented, is a fine strong performance, as is the restrained Russian saboteur of Stafford Gordon (not to mention his charming rabbit). But the total effect is greater than the sum of the parts. Fullowing its successful national tour the production can be seen at The Place, Duke's Road — a minute from Euston station or Bloomsbury — until December 3. cented agitator is immensely

Martin Hoyle

CINEMA

Tortured wailings of sax and soul

. Bird, Clint Eastwood's two-and-three-quarter hour film about jazz saxophonist Charlie Parker, is like the Creat Wall of China: very long, very monumental and very much the same at any given point. The only difference is that while the Great Wall can be seen from as far away as the Moon, you can scarcely see Bird even from the front row of the stalls.

Was ever genius so remorse-lessly linked to doom and gloom? Swamped in shadow, the images are out of Caravaggio by film noir. Like Eas-twood's last outing as director, the perversely titled Pale Rider — so dark it was actionable under the Trades Descriptions Act - Bird is photographed by Jack Green as if Clint were ever at his elbow saying "More

ever at his elbow saying "More sturm, Jack, more drams."
The assumption behind the movie, scripted by Joel Oliansky, is that Parker's wailing genius on the sax was the outward and audible sign of the tortured wallings in his soul. Parker died aged 34 after a lifetime of drugs, drink and stormy living so he is high on the fist – just behind Vincent Van Gogh and Billie Holliday – of Crucified Geniuses.

- of Crucified Geniuses.
Like all crucified genius pic-tures, Bird assumes that crucithree, Bryl assumes that cruci-fixion alone creates genius. The reason Charlie "Bird" Parker is a legend, suggests the film, and that his less tortured contem-porary Dizzy Gillespie was merely a great jazzman, is that life kept nailing Charlie to

Lawdy lawdy, what a time this man had. We begin with Bird (Forest Whitaker) being carted off to Bethesda Hospital after a suicide bid. We flashback to formative humiliations back to formative humiliations on the nightclub stage (a drummer hurling a cymbal at the tuneless tyro from Kansas City). We pack in umpteen scenes of drunkenness and drug trauma. We give Parker a pale and drawy white wife Chiera Venoral who is even (Diane Venora) who is even more of a misery than he; and occasionally — it is a relief even to non-jazz fans like myself - we cut to Parker let-ting rip in smoke-haloed dives, the digital mastery of Whitaker's finger-miming on

digital re-mastering of old Parker recordings on the sound-track.

Around these sonic cases stretches the vast midnight desert. The movie moves through a mid-century America that never existed outside a film studio. The quaint old film studio. The quaint old jalopies nose through the back-lot streets, the interiors are awash with chic gloom and Venetian-blind-striped shadows, the windows weep with rain-machine grief. (The weather is terrible whenever Parker has an emotional crisis). And these high-tone cliches are spun out at such length that many critics have taken them for genius. Another equation of our times: bruising length equals magnum-opus brilliance.

Only Forest Whitaker survives Bird with credit. Pudgy of frame, puckish of mood, and heart-and-soul committed to the role, he seems born to play

the role, he seems born to play Parker. Without him, the movie's tragic posturings would be vain indeed. Bird tells us nothing about how Parker's music was created, nothing about where its originality lay, nothing about the fact that great art is born from joy as well as pain. These matters do not count in Biopic-land. Never mind the quality of the hero's art, just feel the width of his suffering.

Scrooged, your big-budget Christmas treat from the star and studio who brought you Ghostbusters, begins promisingly. In this Christmas Carol update from Paramount, Bill Murray is the youngest TV network president in US history. He is also the nastiest. "Boy, does that suck" he maryels sarcastically, on viewing his adcastically, on viewing his ad-men's latest trailer for a Kmas special. Then he unveils his own ad: 30 seconds of shootings, maimings and nuclear explosions ending with an injunction to watch the show because "Your life may just depend on it."

Soon this Madison Avenue Scrooge is being visited by his dead boss (John Forsythe, cobwebbed and decaying) and told to expect the first Ghost - Christmas Past - tomogrow at

Forest Whitaker as Charlie "Bird" Parker

noon. "Tomorrow is a really bad day for me" replies Mur-ray, riffling through his mental calendar. But the ghost comes anyway and soon spool Dickensiana is taking over the screen: a sacked and shotgun-wielding Bob Cratchit (Police Academy's Bobcat Goldthwait), a black Tiny Tim, a Ghost of Christmas Present (Carol Kane) who combines fluting voice with brutal right hook, a Darth Vader-style Christmas Future, and so on.

As in Ghostbusters the thicker the festive gift-wrapping, the smaller and feebler becomes the wit inside. Soon Murray's flaky-mean super-yuppie, dispensing the funniest line in misanthropy since Jack Benny, is elbowed aside by the noisy demands of what the studio assumes to be popular appeal. And what can a poor comic genius do with the movie's last scene: an on-air aria of contrition in which our modern Scrooge, standing in the middle of his own "Christ-mas Carol" set, turns on the tear-ducts and pleads for peace and goodwill to the viewing millions. Reach me my shotgun and line up the Paramount script editors.

Other contenders for the week's "Bah, humbug" prize are The Nature Of The Beast and To Kill A Priest. The first, written by Janni Howker and directed by Franco (Babylon) Rosso, is an oop-North fable for the Thatcher age. A mysterious sheep-killing beast stalks the moors around a beleaguered mill town. At first you wonder what the juddering, beast's everylew camera in the beast's eye-view camera in the fields has to do with the cenrieus has to do with the cen-tral tale of a three-generation family beset by poverty and joblessness. Then your brain goes on like a lightbulb. Aha, you cry, allegory! The beast equals Unemployment.

But the revelation is bad news rather than good. The movie never transcends its parmovie never transcends its par-able for beginners premise, and under Rosso's fiatfooted direc-tion it ends up like *Emmerdale* Farm for hunt-the-symbol

"Father, can you hear the tolling of the bells" warbles Joan Basz over the credits of Agnieszka Holland's To Kill A Priest. Imbued with peace-andlove ethics, this co-production fictionalisation of the 1984 murder of Poland's Father Popieluszko comes on like a leftover from the 1960s. "Solidarity" is portrayed less as a political pressure movement than as a glowing band of ide-alists gathered round their earthly messiah (Christopher Lambert as "Father Alek"). And the police chief assassin

- a mixed-up martinet played
by bulging-browed Ed Harris

- is a classic hippie-era villain. Back in the 1960s you
could always tell the villains by the fact that they were the only people to show any emo-tion. Everyone else had eaten their alfalfa, read their Ginsberg and tuned into the uni-

verse, man. Around these two antagonists, the screen fills up with lost-looking Brits (Joss Ackland, Joanna Whalley), confused plot signposts and dialogue that has fallen off the back of a B-movie. (Harris on Lambert. "I want to nail that sonovabitch. He doesn't have the balls to stand up for what he preaches"). This film was one of David Puttnam's com-

BIRD Clint Eastwood

SCROOGED Richard Donner

THE NATURE OF THE BEAST Franco Rosso

TO KILL A PRIEST Agnieszka Holland

THE EVERLASTING SECRET FAMILY Michael Thornhill

LES ENFANTS TERRIBLES and LES
PARENTS TERRIBLES Jean Cocteau and Jean-Pierre Melville

marks for good intentions, one

for achievement.

The Everlasting Secret Family gets few marks for any-thing. This is lavish twaddle from Australia: a gay vice ring, a freelance Adonis (Mark Lee), a sodomitic Senator (Arthur Dignam), a bondage-happy Judge (John Meillon) dying in his chains. A power failure cut the Press screening off ten minutes from closure: but not before one could opine that this is one of the ripest, daftest scandal-sheet melodramas since Valley Of The Dolls. Michael Thornhill directed.

From cloudy heights the late Jean Cocteau - 100 next year - will look down pleasurably on the Everyman Hampstead. Diamond-bright and double-billed, two Cocteau-scripted classics, Les Enfants Terribles and Les Parents Terribles, show in new 35-mm prints. Jean himself directed Parents (1948), the young Jean-Pierre Melville directed Enfants (1949), and 40 years before "magic realism" became a household phrase here is the real thing. Enchantment and truth woven together in tales of fraught families, dark emotions and the siren sweetness of forbidden intima-

Nigel Andrews

The Mikado

have been made to out charles ton and out tap Oh, Kay! or oney close to over cleverness. The far from Japan "gentlemen. The far from Japan "gentlemen of Japan" male choras reproduces so many calcharted dandles and seathetes from the enties. I had been avoiding this Mikedo in the theatre and on TV. And now that I encounter it? I find that it inggles all its arch insincerities with wit. Wet what real fun to find oners choreography — by arch insincerities with wit.

Miller forces his production's period conceit so determinedly that he made me hear Gershwinisms where there are none. Though the jolly-English "Brightly dawns the wedding day" madrigal is more blissfully absurd in the opera's proper Japanese setting it fits proper Japanese setting, it fits here anugly - no more out of place than the madrigal in whichever Gershwin/Astaire movie it is where Joan Fon-

Ah, the impresses. Everything about Jonathan Miller's twenties staging of The Mikado - now two years old - says "Nothing serious, chaps," and "None of your old Titipu." And keeps on saying it, until Gilbert and Sullivan have been made to out-charles ton and out-tap Oh, Kay! or Very Good Eddie!

As one whose appetite for twenties fancy dress affairs was sated way back in the seventies. I had been avoiding this Mikado in the theatre and on TV. And now that I encounter it? I find that it juggles all its misgiving.

Yet what real fun to find opera choreography — by Agthiony van Least — that has the wit, in the waiters' hands faming an and down Katisha on her entrance, to refer to Balanchine's 1929 ballet The Prodical Son. All the muses in the Royal Ballet's current revival of Balanchine's 1928 Apollo could take a lesson in the tilited-hip stance seen here on the famale chorus.

Since we cannot now cast

Clara Butt as Katisha, Miller cleverly gives us Katisha as Clara Butt. Yes, another smart-ale; idea - but, as with the choreography, the performance justifies it. Ann Howard savages her pearl ropes while giving the role all its traditionally dregonish, valence of gring the role an its transfor-ally dragonish vehemence; blarious Even better is Don-ald Adams's ripe, pompous Pooh-Bah, and, in the role of the Mikado, Richard Angas's impersonation of Robert Mor-ley produces the best youl and physical percentage.

yet known from him.

New to the cast and to opera
is the Ko-Ko of Rill Oddie. His is the Ko-Ko of Bill Oddie. His speech veers awkwardly between "Wot are you doin' with them pills" to "Ay're educated har to be may wafe," and is — of course — outclassed as a singer (he is subtly amplified). But he joins into the teamwork with sanache, puts yuppies and Edwina Curry on his little list, and brings off a successful debut.

Arden Court

SADLER'S WELLS

One of the great joys in jooking at Paul Taylor's choreography is to see the rightness with which dance accords with music, the clarity of theme and expression. Like other master choreographers, he wastes nothing — neither ideas, nor time, nor energy. The dance speaks, and we understand. So it is with his lovely Arden Court, which features in the annum seeson by Landon

autumn season by London Contemporary Dance Theatre. The place is a spirited and radiant response to selections from Boyce symphonies; its argument no more than six men and three women disporting themselves, flirting and bounding with the music, jubilant or serious, and ever our happy companions — as they are each others — for the

space of the dance.

Taylor will show us a man soaring, then suddenly crouchsinger (he is subity ampliean work with sanache, puts
apples and Edwina Carry on
is little list, and brings off a
accessful debut.

Alastair Macaulay

soaring, then suddenly crouching, and we smile at the wit of
the realisation. A girl frolics
with and over a man; the male
contingent flash above the
stage in a diagonal of bravura
leaps. The movement looks
fresh, the dancers look handsome, their relationships are

generous with each other as they are generous in outline. Perhaps they suggest ideals of human behaviour, but how convincing this choreography seems as a way of being and of dancing. LCDT cast this entrancing piece well, in the main, and it is well worth see-

ing.
The rest of this first programme, which I saw on Wednesday night, is much shadowed by Taylorian bril-liance. Darshan Singh Bhullnance. Darsnan Singh Bhau-er's Giant Steps purports to cel-chrate the history of jazz, but seems more like an outbreak of social conscience about the history of those people who made jazz. Energy in performance, awful costumes, and tiers of chairs which turn into a prison, are the ingredients, with exceptional interpretations from Paul Liburd and

Sharon Wray. Three quarters of the way through Jonathan Lunn's Shift, the stage lighting dims, and I felt that the end was in sight. What had preceded the change in illumination had been a great long but intrice. been an over-long but intrigu-ing exercise in pure movement

for six men, danced in silence. Shapes and sequences were pessed among the cast, were shown from various angles, repeated and reversed, played in canon and parallel, and the eye was fascinated. It was rather less fascinated as the dance wore on, though a duet for Kenneth Tharp and Paul Liburd, in which poses yielded to gravity, gripped the atten-tion. Pruned to about half its length, focused as Paul Taylor focuses his dances, Shift would be excellent. It was superbly

As a pendant we were shown a joke by Aletta Collins, Stand by your Man, which committed the unforgivable sin for a joke of going on too long. In a dance hall, the irresistible He (Chris-topher Bannerman) attracts two girls while three of his chums form an admiring cho-rus. Towards the end of the piece, the men mime to the inane words of a song by Tammy Wynette, with manic gestures and some pelvic bumps and grinds.

The Odd Couple

THORNDIKE THEATRE, LEATHERHEAD

One can imagine the scene. Neil Simon, America's most successful comic playwright, is being pressed for a new play. The deadline reduces to hours. Where can he go for inspira-tion? His eye lights on an early hit The Odd Couple, a great success 20 years previously. What about converting it to a female version, replacing the two oddball guys forced to share a home together with two girls in the same stew. It should not take more than an afternoon to rattle off and the

idea is straight on enough to stifle criticism. It was a bad move. The attraction of the original in those innocent days was the very weirdness of two middle aged men, immortalised in the aged men, immortalised in the screen version by Jack Lemmon and Walter Matthau, trying to cope with domestic life. There is nothing at all odd or even interesting in two women living together living together. And the bar-renness of the concept has led to Neil Simon's most leaden script. He always goes for the machine gun approach - firing off a dozen aphorisms a minute in the expectation of a few hits. Here the laughs are

rare treasures. Pamela Stephenson does her best in this British première. She is a very physical actress, and her kookiness is given full rein in a part which calls for slob behaviour. The rest of the partner Joanna Van Gyseghem as the neurotically kempt Flo, who arrives on her doorstep after a not very credible mari-tal tiff.

nothing to say early on and settle for scenes which could be lifted from afternoon soaps. in act one the girls are around for the weekly session of Trivial Pursuit, a typically anodyne adaptation from the card school in the original, and he seems reluctant to give up the seems relucant to give up the opportunities of making easy jokes around the answers to the game's questions to make way for the arrival of Flo and

the "plot."
In desperation he introduces two comic Spanish characters from upstairs (cousins of Basil Fawlty's Manuel judging by the acting) who turn up for one of the most leaden dinner parties seen on the English stage, in which the confusion of the word "nougat" for the phrase "no good" passes for wit.

Roger Clissold directs on a

stage which is much too large to do justice to the smallness of the product — and for a Manhattan appartment. Still. the company are troupers and if nothing else this is a collectors' piece of what happens when a good writer gets a bee in his bonnet which turns out

to be a dead duck. Antony Thorncroft

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FINANCIAL TIMES

ARTS GUIDE

THEATRE London
Lettice and Lovage (Globe).
Geraldine McEwan and Sara Keateman now play the detty conact with the control of the contro

to sanguary 18 (as 423 C. 741
Sept)

Reposits wand (Vandeville). Iam
McKellen and Jame Asher in
Aychbong's new healthy hundsic coment of domentic robotics,
child cars, masked smotton love
among the antiroids and computer small, McKellen's obesnive constituty deletes the play's
emotional centre but is otherwise
Meetly matched with Asher's
alshades heanty and cutting
edge in this compulate producion smich is Ayckboum's own.
(885.887/5645).
A Walk in the Woods (Comedy).
Alec-Guimness and Edward
Harrmann in feeble off-duty arms
negotiation encounter by Lee
Riessing, Guinness, back on the
London stage after 10 years in
a much - heraided return, is in
subtle virtuoeo form as the subtle virtuose form as the Soviet veteran of tactical stone-walting and no-dealing tracks walling and no dealing tricks
(200 2578, cc 839 1438).
The Figit (Almeida). Outstanding
serval of burrenmett's macabre
agrable of greed and revenge
2012 inversions town by the
invenitys Theatre de Complicité.
Sada Dacember 3 (359 4404).
Measure Fur Measure (Barbican).
Pick of the PSC London verse.

Pick of the RSC London reper-

toire, a gripping revival by
Nicholas Hytner, strongly acted,
with witty design references
throughouf such as those to
Lloyds of London and the Pompidou Canire in Paris (888 8891).
The Secret Espture (Lyttelton)
Brilliant new David Hare place
for the National Theore, a satircal but moving somence on life,
love and family politics in
Thatcher's Britain. The play of
the year (987 2552 c 240 7200).
Easy Virtus (Garrick). Transfer
of King's Head restwal of nerty
Noel Coward, same period but
leaser vintage than flay Faves,
but worth seeing (379 6107).
South Pacific (Prince of Wales).
Average, traditional revival of
the great Rodgers and Hammarstain musical which so many
will remember and love, with
Gemma Craven faiting to weak
the barifonal Emile Belcourt
out of her hair (839 6869).
Folles (Shedoshury). Eartha
Kitt and Millient Marim now
decorate lifts Ocknent's strong
navival of Southeim's 1971 musical, in which poisoned maringes
nearly undermine an old burleague reamon in a doomed theatre (339 8800).
The Adminishle Cricketin (Hay-

tre (339 5360).

The Admirable Cricitium (Hay-market), Ser Hagrison and Edward For in entoyable revival of Berrie's imperishable comedy of class terriess and reversels on a desert island where a simpwreak forces the rigid barriers of English accessy to anap. (330 9632, CC 379 4444).

Dry Rot (Lytle). Brism Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the suive and opportunists. A genuine classic (437 3686).

Bartholomey Fair (Olivier). Successful Victorian transposition of Ben Jonson's sweaty master-piece with farris wheel fair-ground setting and much ganily secentric acting in Richard Eyre's National Theatre company. (928-252). Nov 17-19, 26-29, Dec 3-19.
The Shanghrann (Olivier). Recommended Christmas treet, as Bouckeanit's melodrama is given the full scenic works but is also

bouncaint's gespoint is given the full scenic works but is also revealed as a key hish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (328 2252). Dec 17-23. Jan 5-10, 19-21. Brigadoon (Victoria Palace). 1947 Larner and Loewe "heather-control" Seattlet for the life. Lemer and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sing, less frail than expected. (834 1317, cc 836 2428). The Speece (Aldwych). Right short Chekhov pieces — four vaudevilles, four early stories — translated and adapted by Michael Frayn and performed in various styles by Rowan Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (336 6404, cc 378 6253). Sugar Babies (Savoy). Mickey Roosey and Ann Miller repeat Broadway roles and exhibit staming and star quality in a mixed mine and star quality in a mixed bag of coarse burlesque sketches (836 8888).

Ameterden The Footpharn Thesire with Bal-ylon (Thur). Stadaschouwburg (24 23 11).

New York Rumours (Breadhurst). Neil Simon's larget comedy is a self-causelous farce, with numerous slamming doors and lots of mug-

ging but hollow humour that misses as often as it hits. Chris-tine Baranski leads an ebuillent cast in the inevitable but disappointing hit. Cats (Winter Garden). Still a Cats (Winter Garden), Still a sell-out, Traver Num's production of T.S. Ellot's children's poetry set to music is visually startling and choreographically falline (229 6263).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also undated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (238 6200). metions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Statilett Frances (Gershuin)

(200 0200).
Starlight Express (Gershwin).
Those who saw the original at the Victoria in London will berely recognise its US incornation: the skaters do not have to go round the whole theatre but do not have the skaters do not have to go round the whole theatre. or go rount the whole thearre but do get good exercise on the spruced up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (596 6510)

pop music and trumped-up, ally plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic minicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway bit (947 0033). htt (947 093).

M. Butterfly (Engene O'Neill).

The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat. whose long-time mistress was a male Chinese spy (248 0220). Speed-the-Plow (Royale). David Mamet applies his biting sercasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted expose of the film industry (239 6200). Phantom of the Opera (Majestic). Stuffied with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

November 18-24

Chicago A Christmas Carol (Goodman).

A Canastmas Caron (Goodman).
William J. Norris celekrates his
tenth season as Ebenezer
Scrooge in the ampual holiday
production with a cast of 26,
directed by Michael Maggio. Ends Dec 28 (829.4141)

Tokyo

Noh. National Noh Theatre. Taka Hime (Hawk Princess). A modern noh play based on At the Hawk's Well by W.B. Yeats who was in turn influenced by the Noh theatre. (Most other Noh theatres are open at weekends only. Check local press for details.)(428

Kabuki. The Ham programme contains three pieces, the most accessible for non-Japanese audiences being Suo Otoshi (Dropping the Robe), which contains a farous necession denoted. a famous narrative dance sequence. In the 4.30pm programme world-famous "onna-gata" Tamasaburo Bando per-forms seven different female roles in a scene from Osome His-amatsu. Tickets available for a single act (Enquire at theatre). Begins December 1. Kabuki-za

Clement Crisp

cast give her a wide berth, SALEROOM

Sotheby's had a high old time of it on Wednesday night in London selling the collection of violins and hows assembled by Sam Bloomfield, the president of Swallow Airplanes of Wichita Kansas, for 21,281,951. There was a high 25.64 per cent unsold but this was virtually all accounted for by the failure of a violin by Joseph Guarneri del Gesu to find a buyer, although the bidding went up to 2380,000.

This apart there were non This apart there were non stop records. The 2572,000 paid for another violin made by Guarneri, in 1743, was an auction record for this Cremona maker and for a violin, only exceeded for a musical instrument by the £682,000 paid for a Stradivari cello earlier this year. (By chance Christle's had year. (By chance Christie's had set the record for Guarneri earlier in the day, at just £220,000).

Then a violin made in Venice around £730 by Domenico Montagnana sold for 5225,500, a record for him and for a violin from Venice. But the real surprise of the auction was the £79,200 paid by a Far

Eastern buyer for a bow, a gold and tortoiseshell mounted vio-

Musical high notes lin bow, produced by Tourte in Paris in 1820: the previous record was £28,600 for a similar bow by Tourte. By now Sotheby's was stretching its imagination for record claims and came up with the £72,600 which secured a violin by Nicolas Lupot as a record for a 19th century violin and the £71,500 for a violin by Jacob Stainer made in 1668 as a record for violin with a baroque neck, not adapted for modern playing. Sotheby's carried on selling musical instruments yesterday. and brought in almost £1.2m. from the morning session, with

12.91 per cent unsold.

Bonhams achieved a record price for a water colour by the 19th century artist Benjamin Williams Leader. A view of Goring on Thames painted in 1988 sold for £57,200, over double the estimate.

Christie's had some problems with French furniture, which was 27 per cent unsold, and also with Paul Vogel's collection of 19th century Euro-Dean watercolours which was 40 per cent unsold.

Antony Thorncroft

NATO defence expenditure 1987

As % of GDP (market prices)

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY Telegrams: Finantimo, London PS4, Telex: 8954871 Telephone: 01-248 8000

Friday November 25 1988

State control over water

THE Water Bill published yesterday, shows that privati-sation is hardly the right term for what the Thatcher Government is planning to do with this large monopoly industry. When the ownership of the 10 regional water boards passes

from the state to investors, their managements will have scarcely any more independence than at present and in some respects even less. In their core businesses - supplying water and disposing of sewage - they will be bound hand and foot by regulations specify-ing standards of quality and service, some from the European Community and others from ministerial directives. They will be subject to a pricing regime which will limit their return on investment, and allow the new Director of Water Regulation to examine in detail the prudence and efficiency of their capital expendi-ture. They will also be under the supervision of a separate 6,000-strong National Rivers Authority, charged with the general management of river basins.

In arranging these very tight controls, the Government has wisely responded to public anxiety about the effect of unleashing a profit motive into a vital industry where customers will remain captive to one supplier and where water charges are essentially the same as a tax. Ministers were right to think again about their proposal to allow the 10 water boards to retain their regulatory function over river basin management. Maximising profits from supply was inconsistent with the general control of pollution and the ofitake of water in a region.

US system

Given its overwhelming desire to sell the industry, the Government is also right to opt for a variant of the US system of utility regulation which controls profits in relation to capi-tal expenditures. The details of price regulation will not be revealed until the Government publishes draft licences for the water companies. However, it permit prices to rise by the rate of inflation with adjustments for desired improvements in efficiency and the need for the utility to recoup spending on improved water mains, sewers, treatment plant or reservoirs. In awarding price increases the regulator will be able to judge perfor-mance against the "yardstick" of similar companies under his

In an industry which has been starved of investment and where much capital spending this is the only sensible approach to regulation. However, it will require the regula-tor to make detailed appraisals of every company's investment plans to ensure that they represent good value for money. This is not very different from the monitoring which is done within the Government machine at present, but it will have the merit of being more

As a result of all these controls, and extensive general powers retained by the Government, the 10 large water authorities and the 29 statu-tory water companies already owned by investors will be very different from the Conservative paradigm of private sector enterprise. They will have safe, highly controlled businesses which are likely to provide a commensurately modest rate of return not far from that of gilt edged stock.

Takeover protection

Then what is the point of selling them? A policy of build-ing on the existing privately owned sector would have given time for experiment and comparison, without the upheaval now in prospect. One of the many questions still unre-solved in the rush to privatise is whether the new companies will be protected from take-overs. Already French interests have substantial stakes in the privately owned water companies, presumably with an eye to fat profits in the new

regime.
The Government certainly es not want the industry to be consolidated into very large monopolies. But if it protects the 10 larger companies from takeover it will have removed the only market discipline

One justification for the change may be that needed investment will be financed more easily by private capital than from the constraints of the public expenditure budget. But the Government must not pretend that new national resources will be made available. Customers will have to pay for the increase and for a better return on capital than the 5 per cent in real terms used in the state sector.

The Government is embarking on an immensely complex and costly exercise, without properly considering alterna-tive ways of restructuring the industry and without having made a convincing case that the end results will bring benefits to the consumer. A huge amount of parliamentary time will be devoted to a bill whose economic justification is hard

he real name of the argument is money, but nobody calls it that. Just when the Nato alliance is getting used to the most relaxed period of East-West relations in its history, relations between its two main pillars — the US and Europe - are becoming increasingly tense. The Western allies have so far man-aged a valiant semblance of unity on

the need to keep a strong defence and the need to keep a strong defence and an up-to-date nuclear arsenal, even in the Gorhachev era. But they cannot disguise the squabbling about who is going to foot how much of the bill.

A report on burden-sharing, drawn up by Nato headquarters and attempting to find some common ground between the US and its allies in Europe, will be put to defence ministers in Brussels next week. But the only consensus as Nata suproaches its

only consensus as Nato approache 40th anniversary next year is that the 16-member alliance faces a rough

There is no sign of the US Congress There is no sign of the US congress relenting in its campaign to make the Europeans cover more of their own defence, or of much "give" on the Europeans' part. Even the British Government, the one most praised by the US for its defence contribution, finds itself in an unconfortable resifinds itself in an uncomfortable posi-

tion.
"I recognise," commented Mr George Younger, the UK Defence Sec-retary, in a conversation a few days ago, "that there's a problem for the alliance in maintaining the unity that has been our greatest strength." Mr Manfred Wörner, Nato's new West German Secretary-General, worries that expectations in the US have been pitched too high. In a recent interview, he said: "This question of burden-sharing will not die away."

Others in Nato speak of an underly-

ing malaise, like a marriage in a difficult phase: a concern on each side that the other has not got its heart in the matter. The Europeans are brac-ing themselves, if not for a large with-drawal of US forces, at least for a slight running-down of the US military presence over the next few years.

The US compares the 6.6 per cent of gross domestic product that it devoted

to defence last year with the rest of Nato's average of barely 3 per cent. US officials question the need for a dependence that Europe has grown accustomed to, and which often produces the corrosive effects of mistrust and resentment. But Europe has no pot of gold to comfort the US Trea-sury. If anything, there will be less money available in future.

Defence hudgets are under pres-sure, not least in the US itself, where the tide of the massive build-up in the early Reagan years has turned deci-sively. In Britain, firm plans have been set for real growth, not next year but in the two years after that — nevertheless, defence spending as a proportion of GDP can be expected to slide from 4.7 to around 4 per cent. Other European allies face varying degrees of constraint: Norway is slowing, Denmark standing still, Belgium

going into reverse.

The blunt approach used by Mr William Taft, the US Deputy Defence Secretary, on the two European tours he has made this year specifically to press the burden-sharing case, has caused no little irritation.

His message included a veiled this year," he told a US audience in September, "the temptation to reduce our alliance contributions or take punitive actions against alliance partners perceived to be doing less than their fair share."

It is an old argument. Ever since the US realised in the 1960s that the Europeans were not so poor, it has tried a series of initiatives with the aim of sharing more equitably the task of facing the Warsaw Pact in

The US spends at least \$100bn (£54.4bn) a year on defending Europe, with 340,000 service personnel stationed there. By some calculations its

David White reports on arguments within Nato over defence spending

Squabbling over how to share the burden

as much as \$170bn annually, 60 per cent of its defence budget and roughly equivalent to the rest of Nato's

efence budgets put together. But as to what burden-sharing means in practice, the two sides have not even resolved what they are talking about. Burden-sharing is simply this year's title for a perennial, but now distinctly more heated, issue. The coinage of the phrase (Ameri-can) is not felicitous. Whose burden

does it imply? Is it anything other than that of the US federal budget deficit? In Nato's other official lan-guage, burden-sharing translates stumblingly as le partage du fardeau, conveying a preposterously bucolic image of bent-backed peasants with firewood. As a term it has not trav-

Instead, the Americans now want to talk about the three Rs - "risks, roles and responsibilities". But the arguments are the same. The main hope for easing the prob-

Some speak of Nato like a marriage in difficulty a concern on each side that the other has not got its heart in it

lem lies in the planned new series of multilateral talks on conventional arms – the terms of reference are currently being worked out in Vienna. East-West arms reductions would mean fewer troops for the US and others to support. But this would only really start to resolve the debate if the resulting savings to European national budgets were channelled back into defence, which would be

US officials see advances being made with more standardisation, and collaboration in planning the procurement and development of armaments. It has not helped that the European Commission has recently chosen to talk about applying common external tariffs to arms imported into the European Community; this is still under discussion, although fears of a major impact have receded.

In the long term, the debate on responsibilities seems to point to more specialised roles being assigned among the allies, but for some this would be a radical shift in an area closely associated with the principle

of national sovereignty.
It is a critical period for Nato. It is preparing its position for the talks on conventional arms cuts. It has to deal

OBSERVER

sharing. A week after that Nato foreign ministers have to tackle a preliminary document outlining a "comprehensive concept" on arms policy, designed to provide a framework within which the West Germans can accept new nuclear weapons with shorter ranges than the medium-range missiles banned under the intermediate nuclear forces (INF)

The IIS wants burden-sharing to cover this nuclear modernisation, on which specific decisions need to be made next year. That is a question the defence ministers can be expected to fudge. In the short term, Nato also has to find the \$500m reckoned to be necessary to transfer a US wing of

necessary to transfer a US wing of nuclear-capable fighters from Spain, which did not want them, to Italy. The US Administration has given a high profile to the burden-sharing issue, partly to appease loud voices in Congress. Nato officials see the Penta-gon and State Department as being more understanding than some public proprogressers suggest and hope a

pronouncements suggest, and hope a more moderate line will emerge.

The US says it is looking for signs that Europe takes its effort seriously. its arguments are basically numbers, above all GDP input. Nato HQ and the Europeans have been trying to steer the dehate in other directions. They say the allies should be judged by their output — what they get for their numbers. But the Americans are also money. But the Americans are also critical there.

The so-called Eurogroup, comprising all Nato's European members except France and Iceland, tried in a pamphlet earlier this year to discount the idea that the US was exercising some sort of armed charity. "North American troops are stationed in Europe to protect North American interests," it said.

The European members pointed out that, as a share of Nato's ready forces in Europe and the Atlantic, they provided 90 per cent of manpower and combat aircraft, and 65 per cent of the major warships. They compare a 34 per cent rise in their real expenditure between 1970 and 1987 with a 15 per cent rise in the US, and a still sharper contrast in the evolution of defence spending per capita. Even so, last year the best European performers were only just over half the US per capita figure of \$1,209.

The Europeans argued that there were many indirect contributions that did not show in the figures. The conscript armies that most of them have the UK being an exception in having scrapped compulsory military service – are cheap on paper. But what W.Germany 3.0 % capita US\$m Belgium 3,0 % US 292,165 1.209 France 623 34,529 34,233 561 544 UK 30,859 16,806 294 ltaly Canada 8,518 332 6,502 447 Neths 5,738 149 4,142 420 Belgium 296 2.972 Greece 57 Turkey 2.890 2,634 632 2.127 416 Denmark 111 **Portugal** 1,135 76 206 Lux Source: UK Statement on The Defence Estimates 1988

is the cost of keeping these young people out of other activities?
Other unaccounted contributions range from real estate made available to US forces, to political support, notably for the deployment of US Pershing and cruise missiles in the

early 1960s.

Mr Taft took the arguments on board but said the numbers still mattered. He responded to the common front by dividing the Europeans into

• In the top tier were the UK and France, as well as Greece and Turkey, even though much of these two countries' military spending is directed against each other. A middle tier contained Norway,

the Netherlands, Spain, Portugal and West Germany. Below this came a special category for Italy, Canada and Luxembourg, which were not good but were

● At the bottom came Belgium and Denmark. Iceland (no armed forces) was not counted. Nato has taken a more complicated

approach, assessing a whole series of indicators, such as the percentage of the labour force involved in each country, the quality as well as the quantity of conventional forces, sustainability, and the diversity of each country's effort. Credit is given for the five Nato members that station troops outside their frontiers.

Separate calculations are made for host-nation support and "invisibles" such as nearness to Eastern bloc borders, the need for a presence in northern areas of Canada and Norway, or the sufferings of West German villag-ers having to put up with low-flying aircraft. Account is taken of contributions to United Nations' peacekeeping forces, foreign aid, and political sup-

The US wanted all the main measures drawn up on a scorecard or "matrix," but its proposal has been resisted as crude and divisive.

in the end the decisions for each country are political ones. The hope among Nato officials is that their pithy report with its range of short, medium and long-term recommenda-tions will at least be helpful to those governments that are trying to boost their defence effort.

But no country can be taken to court for not doing so, and officials feel it would be counter-productive to continue lambasting low-spenders such as the Danes.

all, call an election in May to keep the country's Nato relationship intact. The poll came after an anti-nuclear move by parliament that would have made it effectively impossible for Nato ships to visit Denmark.

Even setting targets could be risky, if the targets then prove unattainable. It has been worked out that at least \$10bn of extra annual resources could be generated if the lowest spenders — the Danes, Italians, Spanish and Lux-embourgers — were to bring their contribution up to 3 per cent of GDP.
"So what," shrugged one high-ranking diplomat at Nato. "They're not going

Snake oil in Sweden

THE WORLDWIDE tax reform revolution has finally reached Sweden. The reform pro-gramme announced by Swe-den's ruling Social Democrats this week represents a signifi-cant change of direction in a country notorious for its high rates of personal taxation. Democratic governments of all political hues, it appears, are now seeking economic salvation through supply-side

reforms.

By abolishing the central state income-tax for all but the top 10 per cent of wage earners and by slicing the highest marginal to the state of the stat ginal rate from 72 per cent to 60 per cent, the Social Democrats will give all Swedes a substantial boost in their net earnings from 1991. But since there are no plans to reduce the total amount of revenue raised, the tax burden is being shifted rather than reduced.

Local taxes will continue to absorb about 30 per cent of the average citizen's income. The base of indirect taxation, which is levied at some of highest rates in Europe, is being significantly broadened. This is bound to push up the cost of living. Considerably heavier taxation of capital is also planned, though the details have yet to be worked

Sensible moves The modest reduction in top tax rates and the broadening of indirect taxes are sensible moves. But it may not be easy to extract the desired revenues from capital Most Swedes now accept that individual effort in the labour market deserves a better reward. This marks a radical move away from the ideals of worker solidarity and income equality that have dominated Social Democratic

thinking since the 1930s. The changes are regarded as essential if Sweden is to keep pace with other leading indus-trial economies, many of which have implemented far-reaching supply-side reforms. Tax reform is also intended to ease domestic macroeconomic ten-

Full employment has created serious difficulties for industry which faces labour shortages, wage inflation and poor effi-ciency in the use of working time. But whether reforms that will significantly increase the cost-of-living will have the desired effect of reducing wage-cost pressures remains to

be seen.
The high rates of personal tax have also encouraged evasion, moonlighting and an elaborate system of perks and deductions that has become a national scandal. The promise of more vigorous action to close loopholes for the rich may go some way to diminish the worries among those who believe that Mr Feldt's tax reforms will simply degenerate into a tax-cutting bonanza for

Lack of results

But the fundamental ratio-nale for the reforms lies in the recognition that Sweden's once-admired economic model is no longer producing results. The economy is sluggish and vulnerable to international competition. The tax changes, coming into force in 1991, are only part of a much wider, bolder strategy which is designed to prepare the coun-try for the challenge of the European Community over the next decade.

Making the huge public services sector more responsive to market pressures is now a cru-cial element in the Sociel Democratic programme. Indeed, the tax strategy could even stimulate a national debate on the future of the hallowed Swedish

French grip on Interpol

■ France has reasserted its grip on Interpol with the election of Yvan Barbot, director general of the French national police, as the international police organisation's new chairman.

Based at St Cloud, near Paris, Interpol has always had French fingerprints. A Frenchman was secretary general from the end of the second world war until 1985, when Raymond Kendall of Scotland Yard took over. The chairmanship has been held since 1984 by John Simpson, director of

the US Secret Service.
Simpson was prevented by
Interpol's statutes from standing again, but the US was backing General Pow Sarrasin, head of the Thai royal police, against Barbot, US officials have often in the past suspected the French of laxity in the fight against terrorism, although the clampdown since the wave of bombings in Paris in the autumn of 1986 should have changed that.

Despite a home advantage the Interpol meeting was
 in Bangkok - the general was unable to shake off the suspi-cion that Thailand is a little too complaisant with the drug producers who flourish on its territory. Recent reports in the Washington Post on the embezzlement of US aid by Thai officials cannot have helped Pow, whose substantial business interests make him independently wealthy. The 51-year-old Barbot, who

was an adviser to Prime Minister Pierre Messmer as well as to two interior ministers, was named head of the national police by the last French government in January 1987. Some doubters question whether the prize was worth fighting over, for Interpol sometimes looks more like an

imposing letterbox than an

sation. The possible entry of the Soviet Union, however,

effective international organi-

Irish problem A senior figure in the North-ern Ireland Office explained the problems of making policy on Ulster yesterday: "If you upset the Social Labour and Democratic Party (SDLP), you upset the Irish. If you upset the Irish, you upset the Amerithe Irish, you unset the Americans. And if you upset the Americans, you upset the For-eign Office. So, you see, it's all very difficult."

Attlee's bid

■ Earl Attlee, the 61-year-old

Prime Minister, chose the unusual setting of the House of Lords to open his campaign to enter the European Parliament — as the SDP member

for Hampshire Central. The Conservative-held seat became

vacant through the death of

Basil de Ferranti and the by-election will take place on

December 15.
Attlee acknowledged that

few Peers present in the Cham-ber at the time were likely to vote in the by-election, but he gave a brief outline of his man-ifesto. He wants Britain to sup-

port the introduction of a com-

bank (based in the City of Lon-don), and to recognise the need

to increase the power of the European Parliament.

mon currency and the establishment of a central

son of the former Labour

Blake's vision ■ Lord Blake, the historian of the Conservative Party, was in Moscow yesterday giving a talk on perestroika – British-style – to a select and respectful group of analysts. In the course of a speech which catalogued the Thatcher government's virtues, he disclaimed any intention of teach-



"I wonder who'll own the rain."

ing or preaching to the Soviet audience: but he did, briefly, link Soviet perestroiks to other recent European "moments of truth" when decline was, painfully, halted "It occurred in West Germany in the early 1950s. It occurred in France a few years later; it occurred in Britain in the second half of the 1970s. It has occurred in the USSR in 1985."

Busy lady

■ Lady Howe is gradually mov-ing back into activities other than being the wife of the Foreign Secretary. When Sir Geoff-rey became Chancellor in 1979, she gave up her job as full-time executive deputy-chairman of the Equal Opportunities Commission. Two years ago she became a non-executive director of Woolworth Holdings and recently joined the board of United Biscuits, whose chairman is Sir Hector Laing. Laing also chairs Busishe has now agreed to spear-head its drive to strengthen the impact of women on busi-ness life and the economy.

Taste of Cuba

■ There is a feroclous antismoking campaign in Cuba. Fidel Castro gave up his Havanas two years ago. And that, says Francisco Padron Perez, helps to explain why

export drive. Padron is the Director General of Cubatabaco, the state tobacco monopoly. He was in London yesterday to launch a new range of cigars — La Gloria Cubana Serie Medaille d'Or - through Knight Brothers, the exclusive importers to Britain of Romeo y Julieta. He says the slogan should be: "Smoke less, but smoke better." Most Cubans keep up the

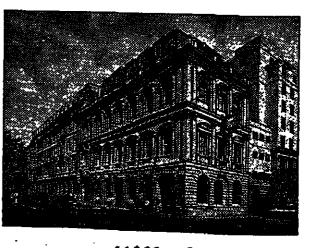
habit, despite the public health campaign. They are the third biggest smokers in the world — after Greece and Cyprus. A population of around 10m consumes 350m cigars a year. About 80m are exported. Cuban cigarettes, Padron adds, are exported only to the socialist countries.

Knight Brothers began trad-ing with Cuba in 1885 after the great-grandfather of the present chairman went to Havana to build the Cuban railway and was asked to send back some cigars. British con-sumption of Havanas is running at just under 5m a year and has recently begun to rise. The tax cuts in the last budget helped," says Peter Knight. Women are the great untapped market. Knight spends much of the rest of his time teaching Scottish country dancing.

From the heart ■ Graffito in a London social security office: "Being rich isn't half as good as being poor

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Public trust, public property

o British subject should be asked to trust the Prime grade, but whose components can reasonably be sold as a series of progrestive responses to legitimate expressions of public concern.

The story begins with the 1985 ther and Mr Douglas Hurd, are interception of Communications Act Minister. The same goes for the Home Secretary. This is not to say that the present incum-bents of those offices, Mrs Margaret Thatcher and Mr Douglas Hard, are misusing their considerable powers: there is no evidence to that effect. But neither should be the sole judge if either is accused of administrative or other ministerial misconduct. The same applies to their successors, even if one of them should closely resemble

the Archangel Gabriel.
It is for this reason that the British It is for this reason that the British Government's proposed new security and secrets laws, taken together, constitute a package that diminishes our democracy. The proposals contain a very great deal that is to be welcomed, but all is spoiled by the central assumption that the executive can be trusted. The Americans understand these things. They start with

All is spoiled by the central assumption that the executive can be trusted

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the proposition that everyone elected to high political office is a potential crook. This leads them to build in checks and balances and external

methods of investigation.

Mr Hurd would no doubt respond that such assertions merely reflect the self-interest of the media. Very well. Let us forget about the media. Nothing will be said here about the right to publish. Forget it. Scrumple today's paper into a ball and jump up and down on it. Consider, rather, the House of Commons, its members, our elected representatives, should scrutinise the actions of the executive. Where necessary, they should call it to account. They cannot do so if they are kept in the dark. The Security Service bill, published on Wednesday, will appear to give them a limited amount of information about security operations, but in reality they will learn nothing that the Prime Minister deems unfit for presentation to Parlia-ment. The bill to reform the Official Secrets Act, due to be published next week, will, thank heavens, remove the sanction of the criminal law from those who pass on most kinds of gov-ernment information — including, for example, Budget secrets — but it will shut tight the steel doors on all matters related to the security services.

It has to be said that our elective

(loca), which provides for a tribunal to investigate complaints by individu-als who feel that they are subject to improper electronic or similar surveillance. If the Home Secretary has wrongly signed a paper to allow, say, telephone tapping, the warrant can be quashed, the tapes destroyed, and the individual compensated. This is progress. An outsider, Lord Justice Lloyd, has been appointed to report annually on the arrested of research warrantee of the same telephone. on the exercise of powers under loca. In March he reported that he had found that a handful of wrong numbers had been intercepted. The embar-rassed agencies put them right. That, too, is progress. But wait. His report goes to the Prime Minister, and, through her, to Parliament. She has the power to blue-pencil anything that she thinks would prejudice

national security.

Parliament will never know if Downing Street has exercised this power, it could not know, even in the most extreme case of abuse that one might hypothesise, unless Lord Justice Lloyd blaw the gaffa. He would probably have to resign to do so. Under the proposed reform of the Office. Under the proposed reform of the Offi-cial Secrets Act, he could be sent to prison if he spoke out, before or after

signing. When Mr Hurd presented his Security Service bill to the Commons on Wednesday it was rightly welcomed by many on both sides of the House as in itself a step forward. It is, in the sense that it does for burglary and bugging what loca does for listening in to telephone calls and reading telexes and letters. People will be able to complain, and the complaints will be investigated by an independent tribunal. If a particular act of "obtaining information from property" has been carried out without correct authority from the Home Secretary, the tribunal will have the power to set matters right. The officers of MI5 will be aware of this. They will also be conscious that they must be ready to open their files to the new Security Services Act Commissioner, who like his loca counterpart, will report to Parliament through the Prime Minis-

But, again, taken in conjunction with the black curtain of eternal silence to be imposed under the offi-cial Secrets Act reform, the net effect will be to render the executive even more secure from any public check to its authority. The British Cabinet already wields more untrammelled



er than does any similar adminis tration in the Western world; the case for external supervision of its security services is therefore greater than in many of the other countries (Austra-lia, the US, Canada) that allow for it.

There is, of course, another point of view. You can insist that Britain will always be governed by people who are always be governed by people who are not crooks. You can assume that none of them will ever suffer from the corruption of long-term power. You can laugh away as a "conspiracy theory" the hypothesis that a Prime Minister, a Home Secretary, a High Court Judge and associated officials would plot a British Watergate and connive in a mechanism for keeping it quiet. If, like me, you have been educated abroad you will find this too plausible abroad you will find this too plausible by half. If you have been educated in Britain you might very well swallow

Among those who do are the well-lucated senior officers of MI5 itself. Its Director-General, Mr Patrick Walker, is a career security officer in his mid-50s who was promoted from Deputy at the beginning of this year. He has a job at least as demanding, and well-paid, as that of an average

permanent secretary. In fact his precessor, Sir Anthony Duff, who was a deputy secretary at the Foreign office, used to say that heading MI5 was a much tougher assignment than that of permanent secretary of a large department. Those around Mr Walker are not unlike any other clutch of well-mannered civil servants. Not only are they decent men; one of them even looks like Sir Alec Guinness. They are not all of one opinion. Some are relaxed about the fact that their major addresses are publicly known (the building on Curzon Street has become a TV symbol for MIS); others still firmly believe that it is socially and operationally destrable to operate under the usual Ministry of Defence cover. In deference to the charming Sir Alec, I shall not repeat any further

The service has become younger over the past few years. A surpris-ingly large proportion of its 2,000 staff are under 30. Its officers devote much time and energy to the recruitment of young graduates. They look for candi-dates with a good degree, analytical ability; judgment, and "something

contributed. You could apply by writing to the Home Secretary, but the usual procedure is for MI5 to trawl the civil service appointments board and the campus careers offices. They will also advertise, under cover of interesting work with an unnamed firm. In all these cases, the eventual offer will come as a surprise.

People like to take a pride in their job. In my view, all the bad publicity of the past few years must have affected morale. Perhaps it is partly for this reason that MI5 welcomes the proposed Security Service legislation, which not only recognises the agency's existence for the first time in official history, but also puts it on a statutory footing. It welcomes the imposition of an independent commissioner and tribunal to which it must be ready to account for its actions. In short, the Home Office drafted the new bill, but all it needed for the job was a good rewrite man.

This is not to say that MI5 supports Mrs Thatcher in her obsession with absolute secrecy. Some of its officers no doubt do; others would quite like Mr Walker to appear on TV and give interviews, like his counterparts in many other countries. The service is in its wholly British way quietly scathing about the proposition that a body outside the "ring of secrecy" – say a committee of the Privy Council ahould serve as a last court of appeal against its actions. It would certainly accept an outside watchdog, but it argues that any such device would be less onerous than the localike internal but independent tribunal and commissioner that the Government proposes to introduce. Once you

go to an outside body, they say, you inevitably tell it as little as possible. The accountability would be all on the surface, as in Sweden where, MIS's Scandinavian counterparts aver, they are less under the control of Par liament than they appear to be. It is tempting to leave it at that. In Mr Hurd we have a Home Secretary who takes a strong interest in the Security Service. He has made sure that he knows its two deputy directors general and a number of officials of lower rank. He talks to them regularly, unlike some of his predecessors. After conferring with Mrs Thatcher he appointed Mr Walker. The principle tasks facing MIS at present — to help ombat IRA terrorism and watch the KGB – are jobs that have to be done, and done well. The urge is to stand back and let them get on with it, under the Home Secretary and the Prime Minister. All that is necessary to satisfy this urge is to tell yourself that all politicians in this country will

always be trustworthy, whatever the

LOMBARD

How to upgrade teaching quality

By David Thomas

ated with only a hazy gras the law, and a fair number seem quite unable to handle clients in a professional way. But most of them appear to mean well." Such conclusions would

cause scandal. Yet a report* reaching precisely such conclusions about another profession - teaching - has recently slipped out from the Department of Education and Science. Her Majesty's Inspectors of schools, official watchdogs of educational standards in England and Wales, have made an exhaustive study of almost

inadequate grasp of their subjects. Fully 30 per cent of lessons ignored the needs of the less able or the more able.

It used to be argued that poor teaching is simply a residue of helter skelter expansion in the late 1960s and early 1970s, when entry standards for teacher training were low-ered disastrously. On the con-trary: the flow of unsatisfac-tory teachers into the schools is as strong as ever. The inspectors found that one fifth of newly minted primary and middle school teachers and 11 per cent of secondary teachers

ness of these findings. Educal members of staff. Part of their tion ministers have hinted all salaries should depend on their summer that they would like to do something about teacher training. But when these find-

IMAGINE AN official report which said this:

"We regret to inform the public that a quarter of the operations carried out by newly qualified doctors are incompetent. Many new medics lack the first idea of how to conduct themselves in an operating theatre. Sorry."

Or this: "We must tell the public to be wary of seeking advice from newly qualified lawyers. Too many have graduated with only a hazy grasp of review and overhaul of train-

review and overhaul of training colleges. Many of the new teachers interviewed by the inspectors complained of insufficient stress on practical issues such as discipline and teaching method during their training. One possibility is the creation of teaching colleges, along the lines of teaching hos-pitals, where trainee teachers would be permanently attached to a school or group of schools throughout training. (If the one-year post-graduate certificate in education has to be lengthened to yield acceptable quality, so be it.)

an exhaustive study of almost 300 newly qualified primary and secondary teachers. It makes depressing reading.

A quarter of the lessons taught by teachers straight out of training college were unsatisfactory or worse. More than thalf those joining primary and middle school teaching showed inadequate grasp of their subto serve, which typically resulted in fewer than 10 new teachers a year - less than 0.1 per cent of the intake - being deemed unsuitable: the inspectors found more than 10 per

cent lacking basic skills.
All head teachers must take sponsibility for smoothing the entry of new teachers into the classroom. The inspectors found that after six months of teaching, only two thirds of new primary and middle school teachers had been observed by more experienced members of staff.

Head teachers hanker after much larger salaries, to reflect the new managerial responsibilities placed on them by the acked some or many of the Government's educational hasic skills needed.

The authorities' response did not measure up to the seriousa manager is developing new

mission to be consistent with the Council's Regulations merely raises a question of the degree of complicity between

the Council and the Commission in the manipulation of anti-dumping policy for protective purposes.

Mr de Clerco makes much of the willingness of the Commu-

nity to accept undertakings in settlement of dumping cases. It

is quite true that a majority of cases traditionally have been settled by that means, and that

continues to be true for cases other than those which are the subject of current concerns

with the EC anti-dumping pol-

What Mr de Clercq does not say is that this is not generally true of cases involving com-mercially sophisticated prod-

mercially sophisticated prod-ucts from Japen and the Far East. Moreover, in one of the first of that series of cases, the Council set the precedent by rejecting a proffered undertak-ing in these terms:

"In this particular case....in

the light of present trade rela-tions with Japan (my italics), it is not in the interest of the

Community to have recourse

to price undertakings as an

appropriate remedy for the injury resulting from dumped

imports".

The defensive posture clear from Mr de Clercq's article ("other people do it too" is usually taken to be tantamount to a confession) is in one sense unnecessary. The Commission's new method is clever.

Even someone like myself, who favours liberal trade policies,

can admire the ingenuity. A protectionist can presumably be even freer in his admiration.

It is still the case, however, that this particular piece of cleverness will cost European

purchasers of the affected products - and the EC as an

entity - billions of European

currency units (Ecu) per annum. Moreover, even a pro-tectionist might wish his pre-

ferred policy to be honestly

And EC citizens in general might hope that when the institutions of the EC make a

claim, the basis for the claim

claims of dumping by suppliers in Japan and the Far East.

Cleverness can cost too much

From Mr Brian Hindley. Sir, Over the past few years, the European Community (EC) has developed a new method of nas developed a new meanod of identifying and measuring dumping. This new method is capable of finding dumping even when the price of a product in the country of export is demonstrably lower than the price of the same product when sold in the EC.

The method overestimates dumping margins by large amounts, and it detects dump-ing where, by any objective criterion, no dumping has occurred – and accordingly can lead to the imposition of anti-dumping duties where there has been no dumping. Details of the new RC method are discussed in an article in The World Economy (March 1986) by Christopher Norrall, a Brusseis-based lawyer special-ising in anti-dumping, and in my article which will appear in The World Economy in Decem-

The new EC method has been applied to exports from Japan, and is now being extended to far-eastern suppliers in general. In effect, the Commission has used its antidumping powers to raise the de facto level of EC protection against far-eastern products by

Moreover, this protective effect is not restricted to those products that have actually been found to be dumped. An exporter will not sell for 100 in his home market and 100 in the EC when he knows that that pricing strategy will lead to a finding of dumping and an anti-dumping duty. He will instead charge 140 or 150 in the EC - if he can serve the EC market at all at such elevated

Commissioner de Clercq's apologia for EC anti-dumping policy may have puzzled some of your readers. In days gone by, anti-dumping policy was a technical subject (and perhaps a rather dull one). Mr de Clercq discusses it as though it

still were.

And, indeed, that is approprisatisfactory is attempting controversy.

But since the activity. EC practice is ques-tionable in all the traditional ways (as is that of other coun-tries which use anti-dumping measures intensively). But that are consistent with the Gatt

anti-dumping policy against far-eastern suppliers that raises legal, constitutional and economic (to say nothing of ethical) issues. Anti-dumning policy is now the centre of the Commission's far-eastern trade

Mr de Clercq asserts that EC Mr de Clercq asserts that EC anti-dumping policy is consistent with the Gatt (General Agreement on Tariffs and Trade) rules. Time will tell. Japan has made a formal complaint in the Gatt about one aspect of EC policy. Further formal complaints might be

What Mr de Clercq does not

say is that the Gatt rules on anti-dumping measures are quite vague, and were not designed to cope with situa-tions to which the new EC methods are being applied.

In the past, anti-dumping actions have typically applied to basic materials or products which do not require a complex distribution network. The Commission's creative new

method, on the other hand, comes into its own when deal-ing with products that are commercially sophisticated, in the sense that they are sold through distributors associated with the manufacturer. I am reminded of the James Thurber character who finds himself in front of his car, in

position, observed by a scepti-cal New York motor-cycle policeman. "Well, it's not against the law is it?" the Thurber character asks defen-sively. "Probably that's because they hadn't thought of

it," says the cop.

Mr de Clercq also says, correctly, that the European Court of Justice has found in favour of the Commission's methods. What he does not say is that the Court expressly confines its attention in these cases to the question of whether the Commission has correctly followed the Council's Regulations. Whether the Court's performance of that narrowly defined task has been satisfactory is a matter of some

But since the Court does not enquire whether the Council's has demonstrable validity. Regulations make economic That is not the case with EC sense, nor even whether they is not the focus of current conrules, its decisions cannot be
Brian Hindley,
cern with EC anti-dumping polused to defend either of those
icy.

It is the Commission's use of found the actions of the ComFleet Street, EC4

Time to do business.

please

From Mr P.P. Montgomery.
Sir, One of the things making life particularly difficult for British companies trying to do business in Europe is the one hour time difference

On the face of it this would not appear to be an important problem. In practice, during an eight hour day, up to four hours of business time may be lost: two hours each day because of different starting and finishing times (mainland Europe starts work at 8am and finishes at 4pm); a further two hours during the lunch break (mainland Europe eats between 1pm and 2pm, the UK eats between 200 pm and 3.00 pm, continental time).

Obviously this is a "worst" case; the reality is probably not as bad. But our European counterparts do not share this problem when doing business among themselves, and it must to some extent affect British

If as a country we are serious about the single market, the UK must fall in line with the rest of Europe - though given the "not in my lifetime" attitude of Mrs Thatcher, per haps they should fall in line with us . . . P.P. Montgomery,

PO Box 5, Grosvenor House, Prospect Hill, Redditch, Worcestershire

Virgin's property projects

From Mr Richard Branson.
Sir, While I find it hard to fault most of your detailed coverage of Virgin Group's management buy-out, I would like to clarify our plans for prop-We remain totally committed

to growing our property devel-opment subsidiary, Vanson, which is currently engaged in several new commercial, retail and residential projects. Richard Branson Chairman, Virgin Group of 120 Campden Hill Road, W8

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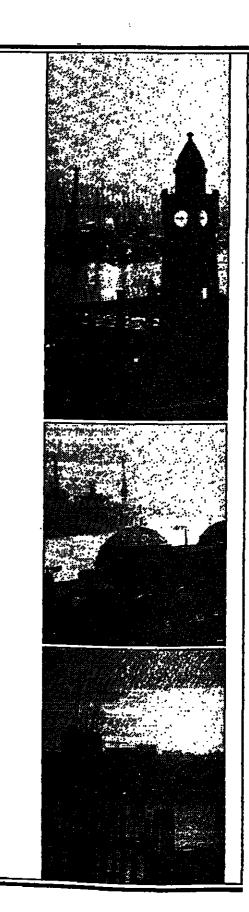
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FINANCIAL TIMES

Friday November 25 1988



FBI arrest fugitive Greek banker after his unexpected arrival in Boston

MR George Koskotas, the Greek banker and press baron, this month after being charged Bureau of Investigation (FBI) after he arrived unexpectedly in Boston, giving a new twist to a lurid plot which has plunged Greece into political turmoil, writes our Foreign

Mr Koskotas vanished on November 6, two weeks after being charged with multi-mill-ion dollar fraud. Earlier this week the fugitive tycoon surfaced in Brazil.

Confusion in Athens deep-ened yesterday as the Minis-tries of Public Order and Foreign Affairs gave differing accounts of the events leading to Mr Koskotas' capture.

The Public Order Ministry claimed that it had promptly taken all measures necessary to ensure Mr Koskotas' arrest on arival in the US, after

fraud. Rarlier this week he surfaced in Brazil. Confusion in Athens deepened yesterday as the Ministries of Public Order and Foreign Affairs gave differing accounts of the events leading to Mr Koskotas'

capture.
The Public Order Ministry claimed that it had promptly taken all measures necessary to ensure Mr Koskotas' arrest on arival in the US, after receiving information that the fugitive was bound for that country from the unusual source of Mr Nikos Papan-dreou, son of Prime Minister Andreas Papandreou.

receiving information that the fugitive was bound for that country from the unusual source of Mr Nikos Papan-

dreou, son of Prime Minister Andreas Papandreou. The Foreign Ministry, however, said that it had been alerted of Mr Koskotas' arrival

in the US by the large circula-tion daily Ta Nea. Mr Koskotas was held under a US law providing for the arrest of individuals with war-

rants outstanding against them

in another country.

The major mystery, however, was why Mr Koskotas chose leave Brazil and go to the US, which has an extradi-tion treaty with Greece and where his arrest was practi-cally a certainty. The Justice Ministry announced yesterday that it had set in motion the procedure for Mr Koskotas' extradition from the US.

The only clue was provided by reports that Mr Koskotas had said in Brazil that he



Scandal threatens Papandreou's lead role

Koskotas affair has boosted opposition popularity, reports Andriana Ierodiaconou

ASSESSING the massive blow dealt the Greek Government by the Koskotas banking scandal, one observer remarked: "Rather than commit honourable hara kiri the Government has opted for an operatic death. It's going to be long drawn-out, and they'll be singing until the last moment, but there's no doubt they're

The scandal involving banker and press baron Mr George Koskotas has not only shaken public confidence in the Government, but also shaken Prime Minister Andreas Papandreou's hold on his Socialist Party (Pasok). A mid-November poll showed the Conservative opposition ahead with 37 per cent of the vote against 20 per cent for the

Opposition charges that the ings remain to be substanti-

ated. However, a persuasive body of events shows that the Government did its best to muzzle the investigation into Mr Koskotas' affairs, which eventually led to his being charged last October with multi-million dollar embezzlement and foreign currency fraud. Coupled with Mr Kosko-tas' disappearance in early November while supposedly under strict surveillance by an elite security force, this has

excited universal suspicion

that the Government had

something to hide. "Even if we assume that all events so far are a diabolical coincidence, the Government should still resign - like Cae-sar's wife, they must not only be honest, they must also appear to be honest," another observer remarked. The Socialists, however, have evidently

ment's resignation and early general elections. Greece is due to go to the

polls next June. From the Socialists' point of view there could not be a worse time than the present for an election confrontation. Prime Minister Mr Andreas

Papandreou, until recently Pasok's chief asset, is still recuperating from a serious heart operation performed in London about two months ago and could not possibly sustain a strenuous campaign. Indeed, many observers attribute the Government's apparent lassi-tude in the face of the Koskotas scandal to the physical con-

dition of the Prime Minister. The cosmetic cabinet reshuffle carried out by Mr Papan-dreou on November 16, which dynamited a valuable chance restoring public confidence Socialists were directly decided to brazen the situation in the Government, led critics involved in Mr Koskotas' deal-out, disregarding concerted to accuse Mr Papandreou of opposition calls for the Govern- being out of touch with the

harsh political reality facing the Socialists. The reshuffle preserved and even advanced ministers whose names have been at the forefront of the controversy generated by the Koskotas affair.

Constitutionally, the means by which the Socialists could be forced to step down are extremely limited. Amend-ments introduced by the Papandreou Government two years ago to the 1975 constitution have conveniently elimi-nated the power of the Presi-dent of the Republic to dissolve parliament on the grounds that it no longer reflects "the popu-lar will" – an argument which could conceivably be made

President Christos Sartzetakis could force the situation by resigning, whereupon elec-tions would have to be called if the 300-member parliament failed to pull together a threefifths majority of 180 votes in

support of another presidential candidate. However, Mr Sartze-takis, the Socialists' choice for the presidency in 1985, has indicated that he is not contemplating any such move.

Finally, a motion of no confidence could be tabled by the opposition. To oust the Govern ment the vote would have to carry 151 votes. However, given the Socialists' 157-strong majority in the House this result could only be achieved through defections from the Government's parliamentary ranks during the vote. This seems unlikely, despite pervasive expressions of discontent among Socialist deputies over the Prime Minister's handling of the Koskotas affair.

Whatever the timing of the next elections, however, the betting in Athens is that they will ring down the curtain on

European broadcast pact agreed By Raymond Snoddy in Stockholm

THE BASIS of a legal

framework for trans-frontier broadcasting across Western Europe was agreed yesterday by ministers from 22 countries. The ministers, meeting in Stockholm, accepted compromises on virtually all the outstanding contentious issues. These included rules on adver-

tising breaks in the middle of programmes and the proportion of European-made programmes that should be included in everything from normal broadcast channels to satellite television.

The package will now go to the Council of Europe, the

international body mainly involved in human rights, early in the new year for final drafting and adoption. The resulting convention will come countries, five of them Council of Europe members, have

signed it.
The convention should open up Europe to a wider trade in films and television; all channels obeying the basic rules will be able to broadcast to all

states signing it. Mr Timothy Renton, the UK Home Office minister responsible for broadcasting, was widely praised for beginning a chain of compromises which led to agreement among countries with widely differing broadcasting systems. He said yesterday: "1989 will

be the year of the satellite dish. It is very important to have this convention in place before the broadcasting revolution

happens."
The UK compromises on advertising rules mean there will be fewer advertising made-for-television films on Britain's independent televi-

sion network. The West Germans dropped their demand for feature films to be screened with no advertising breaks. The French, who had been insisting that at least 60 per

Europe's television channels should be produced in Europe, agreed that "where practica-ble" broadcasters should move progressively towards a majority of European works, excluding news, sports events and Britain also successfully

phy and violence. "Given that everyone spoke in favour and no one was saying they were not going to sign there is now tremendous pressure to get the convention agreed and open for signature as early as possi-hle." Mr Renton said. cent of programming on all Yesterday's agreement is a

inserted an exclusion from the European programme rules for pay television and subscription channels. This will protect film chan-nels planned by Mr Rupert Murdoch's Sky Television and British Satellite Broadcasting.

The convention will also ban

blow to the European Commis sion which argued unsuccessfully that its planned directive on trans-frontier broadcasting should be agreed before a Council of Europe convention.

"We are not against the EC directive but we hope that this text, if agreed early next year, would form the natural basis for the EC directive," Mr Ren-

Mr Oscar Mammi, the Italian Post and Telecommunications Minister, described the Stockholm meeting as probably the most important the Council of

What is certain is the bitter-

Paris and Bonn back early G7 meeting

By Peter Norman, **Economics Correspondent**, in London

FRANCE and West Germany have backed the holding of a meeting of the Group of Seven finance ministers soon after the inauguration in January of Mr George Bush as the next US President.

Mr Pierre Bérégovoy, the French Finance Minister, said in Paris yesterday it would be in Paris yesterday it would be necessary to convene a meeting of finance ministers from the major industrial countries as soon as Mr Bush took office.

Later the West German Finance Ministry said Mr Gerhard Stoltenberg, the Finance Minister, also favoured a meeting but noted that no date had been set.

A French spokesman also

A French spokesman also said that Mr Rérégovoy had not formally proposed that the G7 ministers meet and that he had not outlined a possible

agenda. But it is understood that Mr Bérégovoy is concerned about the dollar's recent fall and thinks it would be a good idea for America's major, trading partners to learn at first hand about the new US Administra-tion's economic and budgetary

policies.

The G7 ministers met last in September, immediately before the annual meetings of the International Monetary Fund and World Bank in West Berlin. At that time they issued a statement which "emphasized their continued interest in stable exchange rates among ble exchange rates among their currencies.

Since then, however, the dollar has lost around 10 per cent of its value against sterling and the yen and 9 per cent against the D-Mark.

The dollar's sharp fall since Mr Bush's election earlier this month has prompted substantial intervention from the Bank of Japan and frequent support operations by the US Federal Reserve. The West German Bundesbank, however, has appeared far less concerned about the dollar's fall, although it did join in two rounds of concerted intervention by major central banks at the end of last week,

Clean water versus cheap water

The privatisation of the UK water industry will not be as difficult as electricity, but it will be a far more complex task than British Steel. With the publication of yesterday's water bill, the Government is well on the way to meeting any political challenges - particularly from the environmental lobby - which could disrupt its dreams. However, the more it insists that this is really an environmental initiative, rather than a straight transfer

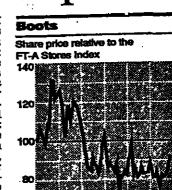
rather than a straight translet of a state monopoly to the pri-vate sector, the harder its job in selling water to the City. Presumably, by this time next year the public will have been suitably brainwashed into believing that the 10 UK water authorities are amongst the cheapest and most profitable in the world. But it will not have been an easy task. The water supply industry has not suffered the massive redundancies of steel, its profits are almost certainly inflated, its future capital needs are far more demanding and the business has virtually stopped growing. Throw in the fact that the Government's new-found environmental concerns have resulted in a much tougher regulatory framework, and it could be difficult to package this attrac-

As British Telecom has dem-As British Telecom has demonstrated, it is far more impor-tant to pacify customers than maximise profits, and the water companies do not have BT's cushion of being in a growth business. The best that can be said for them is that their longer term prospects are safer than British Steel's, but this does not mean that they deserve to yield any less than British Steel's 8 per cent.

La Générale

Throughout the Euro-skir-mishes over Société Générale de Belgique earlier this year, the one thing which did not get much talked about was the value of the company which everyone was trying to buy. That, in itself, is scarcely sur-prising: analysts cannot even prising: analysts cannot even seem to agree on a historic earnings figure for the group, nd trying to lorecas future earnings is probably more entertaining than con-structive. Yesterday's statement of intent on strategy is the best the market has heard so far; but the fact remains that La Générale is still a far cry from being presentable to

In the near term, that will not matter much, as nearly all



1983 84 85 86 87 88 the stock is in the hands of the original protagonists. But Suez will be getting more and more anxious to dump some of its 80 per cent stake over the next 12 months, and it will be in its interests to demonstrate some industrial logic from La Générale sonner rather them later ale somer rather than later.
The Suez chairman has already said his company wants to double La Générale's profits in "two, three, or four years": plenty remains to be done before the market will reasonably be able to focus its expectations any more narrowly than that.

Boots

Speculatively speaking, the topical question about Boots is whether the recent activity in the shares has to do with a bid or with a fundamental re-rating. The former looks less likely with the pessage of time, on the grounds that it may not be a simple matter of splitting off a small but valuable ethical on a smar but variante ethical drugs company from a High Street retailer. In production terms, pharmaceuticals look hard to detach from the indusrial division, which in turn seems wedded to retail as origi-nator and manufacturer of own-label products.

Indeed, there is a case to be

made for Boots as retailer on its own grounds. Yesterday's unexpectedly good interim fig-ures were the result above all of margin improvement, and to the extent that this comes from correcting inefficiencies, it should be sustainable in the ditions. Again, Boots has pur-sued a policy throughout the '80s of not spending on new floor space. Besides making the interim volume increase of 4 per cent the more respectable, this puts the group in the highly unusual position of hav-ing net cash on its retailing balance sheet. And in a time of steeply rising rent reviews, it

owns 40 per cent of its property freehold.

freehold.

Granted, the pharmaceuticals division is in a tricky phase. Patents have expired on all its products, the new heart drug is not due on the market until next year, and ibuprofen margins will take a hammering until the new cheap production process arrives in the early '90s. But to have both a heart drug and an anti-deoressant in 90s. But to have both a heart drug and an anti-depressant in prospect is a considerable achievement for so small an operation, the only question being whether its size will enable it to make best use of them in the market. At 233p, the shares are on a market them in the market. At 239, the shares are on a market multiple, which seems a safe compromise between the two parts of the business.

Rothmans

Nobody ever said that plenty of money could not still be made from tobacco; the question, as always, is what one does with it. For the past four years, Rothmans has been getting on famously with generating cash from the business which represents 80 per cent of its profits. Yesterday's interim results showed the company squeezing a further substantial margin improvement out of a business which has been wrung and twisted savagely wrung and twisted savagely already. But the days of leaps in profit must surely be drawing to a close, and yesterday's 11 per cent pre-tax increase was uninspiring enough to ensure that the market had plenty of time to contemplate the size of Rothmans' cash hoard and its likely future

Whatever else Rothmans does with the money, it seems unlikely to spend all £447m of it in one place. It probably could not do so anyway: the cash is dotted round Rothman's global empire and mans' global empire, and would take some considerable time to assemble in a headquarters vault. However, it is a moot point whether a modest acquisition would be enough to set Rothmans up for a more mature future.

The chances of a bid from either Rembrandt or Philip Morris are looking slim in the near term; and the appointment to the Rothmans board yesterday of Johann Rupert of the Rembrandt vehicle Richemont seems more likely to herald co-operation than hostility. Unless a bid does materialise, it is hard to see why Rothmans should command a rating of 9 times next year's earnings, a couple of points higher than BAT and yielding less.

... 37

the transmission of programmes containing pornogra-British Water Bill raises questions

By Richard Evans in London

BRITAIN'S Water Bill, which was published yesterday and prepares the way for the con-troversial privatisation of the 10 water authorities in England and Wales next November, leaves unanswered a range of critical questions on the flotation's value and

It provides a tough regulatory framework for the industry which ministers believe has been pitched to allow for a successful flotation, but which will quieten anxieties about the protection of the environ- 'Industry leaders remain fearful ment and the customer.

Worries remain in the City of London, however, about the scale of the regulation thought necessary, and the amount of capital investment required over the next decade to modernise the infrastructure and bring water and river quality up to European Community

standards.
No decisions have been taken on key issues such as the financial restructuring of the authorities to make their debt burden more equal, or on the new pricing structure. that too great a regulatory WORLD WEATHER

stranglehold by the National Rivers Authority, the proposed Director General of Water Ser-vices and the pollution inspec-torate among others, will make the authorities less attractive

It also remains to be decided whether the government should retain a "golden share" in the early years of privatisation to prevent unwelcome tak-overs; how great a foreign presence will be encouraged, and whether to sell the industry all at once for an estimated £5bn-£7bn (\$9bn-\$12.6bn) or sell in

what is certain is the outer-ness of the forthcoming Parlia-mentary battle, due to start with the second reading debate in early December and end with a planned Royal Assent next July. The 10 authorities would then be vested in September as water public limited companies still in state ownership, before flotation in November. November.

The Opposition regards the privatisation of water as the most contentious and political of all the Government's privati-

Digital tapes deadlock

Continued from Page I ther reproduction.

These measures would go some way towards the position adopted by the International Federation of Phonogram and Videogram Producers, who have demanded protection against serial copying from one DAT copy to another. But the music industry has also indicated in the past that it wants these technical provisions to be linked to royalties on blank

tape and equipment. Agreement between the equipment manufacturers appears to have been engineered by Philips, the Nether-lands-based Dutch electronics

group, and Sony of Japan.
Other companies involved include Grundig, the West German group which is controlled by Philips, Thomson of France and Matsushita, Hitachi and

sation proposals. Details, Page 8; Lex, Page 14

Toshiba of Japan.
Digital audio tape players have been on the market for almost two years in Japan, and can also be bought in Europe. The machines have so far made very little impact, how-ever, partly because of their prices, which start at about \$1,800 and partly because of anxieties over illegal copying without paying artists royal-

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FINANCIAL TIMES COMPANIES & MARKETS

Friday November 25 1988

CLUBS

starting to clear.

Italian businessman Mr Carlo De

Benedetti, Europe's financial

establishment has been eager to know how the new owners of La Générale would shake up a sprawling commercial and indus-trial empire with stakes in

roughly 1,200 companies, and activities ranging from banking, cement making and diamond

trading to transport, chemicals

and golf clubs.
It was soon obvious there were

to be no quick answers. The new management team under ex-Mid-

land Bank director Herve De Car-

moy retreated over the summer to consider the possibilities, and

though steps were taken in Sep-tember to modernise the group's

peripheral shuffling kept observ-ers on their toes, the grand lines of the company's future plans were still being worked out.

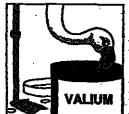
The significance of this week's developments - the announce-

ent on Tuesday of a BFr12bn



INSIDE

Roche gets both feet on the ground



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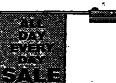
Why was F Hoff-mann-La Roche like a flamingo? Fritz Gerber, chairman of the Swiss chemicals company, reckons it was because it spent too much time standing around on . VALIUM the anti-anxiety drug.
As sales of this tranquilliser have faltered,
Gerber has had to reshuffle his management

team and widen the company's drug range. Peter Marsh looks at how he has tared since January's failed \$4.2bn bid for Sterling Drug of the US. Page 18

Down, Down Under

The current malaise of the Australian stock market illustrates the extent to which it remains a hostage to external and domestic economic forces. Last week the All Ordinaries index fell through the key 1,500 barrier, and analysts expect equities to underperform into the new year. High domestic interest rates, the strong Australian dollar, weak commodity prices, and concern about the international economy are to blame, writes Chris Sherwell.

Wichita line men join range war



With the battlecry "everyday low pricing", Sears Roebuck, the US department store group, has launched a counter offensive against the new speciality retail stores and discount operations that have steadily eaten into its market share. Sears has been trying out its new strategy in its Wichita branch, and describes the scheme as an "idea whose time has come." But the trouble with the concept is that its time appears to have come for the US retail industry as a whole, making things no better for Sears. Page 18

Good news from Vienne fuels

lift off in US airlines prices The US airline industry has had a good year, and related stocks finally found the trigger for a rally this week in news from the Opec meeting in Vienna. But even after the latest price gains, the stocks' reaction to recent fare increases has been less than dramatic, writes Janet Bush. Page 36

Magnetism of the mating game This week saw the start of the annual iron ore sumers get together to decide prices. Valerie Darroch explains why, after seeing returns eroded in recent years, suppliers are deter-mined to win big rises from the thriving steel mills of Europe. Page 26

Sandvik builds on profits rise

Sandvik, the Swedish comented carbide and special steels group, increased pre-tax profits by 41 per cent to SKr1.92bn (\$317.3m) during the first nine months of 1988, and predicted pre-tax profits for the whole year would exceed its earlier forecast of SKr2.5bn due to continued strong market demand. Page 18

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Chief price changes yesterday

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Irish minister clears path for **Pernod victory**

PERNOD RICARD, the French drinks group, is poised to declare its 1£4.50 per share offer for Irish Distillers unconditional today, clinching victory over Grand Metropolitan of the UK in a particularly long and hard fought takeover battle.

GrandMet, the largest spirits group in the world, yesterday saw its rival 165.25 per share bid lapse after Mr Albert Reynolds, the Irish Minister for Industry and Commerce, wielded a rarely used power and limited Grand-Met's etake in Irish Distillars to Met's stake in Irish Distillers to less than 30 per cent. However, Mr Reynolds, who

had referred both offers to the Irish Fair Trade Commission for investigation, gave a green light to Pernod's bid which values Irish Distillers at I£285m (\$441m). He attached a number of conditions, including one that no brands should be disposed of by Pernod without the consent of

the Irish Government. Mr Reynold's decision, announce late on Wednesday night, came a few hours after Mr Justice Simon Brown refused GrandMet's plea for an early hearing of its application for a judicial review of a decision by the City Takeover Panel. The Panel had ruled that Pernod was not required to release Irish Distillers shareholders from their commitment to the French The British judge's ruling freed Pernod - which holds a 53 per cent stake in the Irish company

cent stake in the frish company
- to declare its offer unconditional today.
GrandMet, which intends to
keep its 29.9 per cent stake in
hish Distillers, said yesterday."
We are obviously disappointed. We believed Irish Distillers would have been better off with us and that we would have done the best for the hish whiskey industry." Mr Reynolds, in announcing his decision, said GrandMet had commercial propositions which it saw as benefitting the industry. However, taking a wide range of criteria into consideration, he concluded that an acquisition by GrandMet would be against the

ommon good. In his Prohibition Order, which prevented GrandMet proceeding prevented GrandMet proceeding with its bid, he said employment in the spirits industry would be reduced if GrandMet acquired Irish Distillers and the UK group's plans to sell brands would prejudice the development of the Irish distilling industry.

Pernod, which is seeking to increase its foreign spirits operations, gave assurances in its

operations, gave assurances in its offer document that it would "maintain the integrity of the Irish whiskey industry by retaining the brands and the two distilleries." Permod said it must be in the integrity of the Irish whiskey industry by retaining the brands and said it must be in the integrity of the Irish who is the Irish subsidiaries on a de-centralised basis and Irish Distillers would be treated in the same way.
GrandMet's frustrations, Page 18

Troubled Co op suspends Otto

By Andrew Fisher in Frankfurt

MR BERND OTTO was yesterday suspended from his duties as chairman of the Co op retail group of West Germany after offering to resign earlier this week in the wake of criticism about its confused finances, own-

ership, and organisation.
Although Co op remains a prof-Aithough to op remains a prusitable concern, creditor banks and shareholders have grown concerned about the level of its indebtedness, which is at least DM3bn (\$1.7bn). Much of this is in the form of short-term debt. Trading in Co op shares was suspended on Tuesday because of the unclear situation over the

company's future. They stood at around DM400, having shot to just over DM500 after the flotation in October 1987 of nearly 7 per cent of the stock. The issue The decision to suspend Mr Otto from the chairmanship was taken yesterday by the company's supervisory board. It will discuss the question of a successor next month. Mr Otto's salary as chairman is around DM1.5m, making him one of the highest paid German executives. As well as agreeing to suspend Mr Otto, the supervisory board also "noted with satisfaction" the

proposals of German and foreign banks to restructure Co op. These provide for four foreign creditor banks —Schweizerische Bankverein (whose German subsidiary led the flotation), Amro Bank of the Netherlands, Secu-rity Pacific National Bank of the US, and Svenska Handelabanken — to acquire 70 per cent

iscount Etienne Davignon
- "Stevie" to his friends is still inseparable from his famous pipe. But as the best known director of Société Générale de Belgique puffed contentedly during a press conference yesterday there was contradict those commentators and analysts who have subscribed to what Mr Davignon called yesterday the "obsession Française" – the idea that Suez was concerned solely to strip out the good businesses in the group and abandon some of the worst. evidence that another notorious Brussels smokescreen is at least Ever since June when Compag-nie Financière de Suez, the French investment bank, emerged victorious from an epic six month takeover battle with

ann acancon some or the worse performing but politically sensi-tive companies in the portfolio. La Générale believes recent moves illustrate the hitherto vague and ill-defined objective of concentrating resources on com-panies with a "leadership posi-tion:" those which are either world leaders in their sector or capable of becoming so, and backing or putting in top quality

management teams.

Thus FN, although plagued in the past by labour problems and virtually on its last legs financially, is getting continued support because of its pre-eminent global position in infantry weapons and the Browing, Bersta and Winchester names held in the Proprince exhelicity. (The statutes and a certain amount of the Browning subsidiary. (The intention is to raise FN's stake in Winchester from 37 per cent to

100 per cent).

Gechem, the broadly diversi-Gechem, the broadly diversified chemicals group which is also a heavy loss maker, will dispose of its plastic films and (probably) its fine chemicals activities, but strong backing will be provided for Recticel, the highly profitable polyurethane group, which is responsible for more than 50 per cent of turnover. than 50 per cent of turnover. ACEC, a heavy employer in the

industrial intentions is emerging.

For instance, the rescue plans outlined for the three "lame ducks" (chemicals concern Gechem, armaments group Fabrique Nationals de Herstal, and ailing electrical and electronics business ACEC) would appear to contradict those commentators industrial partners for each of ACEC's main operating areas, a policy which bore fruit this week

DIAMONDS

Grand plan behind the smokescreen

policy which bore fruit this week with the creation of ACEC Energy and the participation through a 51 per cent stake of French group Alsthom.

La Générale also points to recent votes of confidence it made in CMB, the lucrative transport business which effectively controls the port of Antwern, and CBR, the acquisitive werp, and CBR, the acquisitive cement maker building a reputation in North America as a global

player.
In both cases La Générale has subscribed to rights issues to allow the companies to combine their expansion. The recapitalisa-tion operations for FN (a total of tion operations for FM (a total of BF75.1bn from La Générale), Gechem (BF76.3bn) and ACEC (BF7650m) are designed to remove the financial burden which has been dragging the companies down in recent years and enable them to start per ing again. Thus BFr4.9bn and BFr5.02bn of restructuring and other costs is being written off immediately at FN and Gechem respectively.

Some sceptical analysts noted yesterday that only about BFr6bn of the new capital was in cash, with the rest raised by converting debt that the companies have into La Générale stock. Some technicalities of the oper-

ation, however, could cause more anguish - notably the way in which the new shares issued in

Tim Dickson explains how the rebuilding of La Générale is taking shape FN and Gechem will be preference shares and first in line for dividends when the companies start paying out again. That could leave some speculative holders of FN and Gechem stock nursing heavy losses when (as is expected) the Stock Exchange

TRANSPORT CHEMICALS

quotations are restored today. quotations are restored today.

Mr De Carmoy said that after
the recapitalisation plans have
been implemented – the agreement of other "stakeholders"
such as public authorities has yet
to be finalised – La Générale
was likely hold about 80 per cent
of FN and Gechem (compared
with just over 50 per cent now).

Mr De Carmoy, however, would
not provide a profit forecast for

not provide a profit forecast for this year, but an accompanying statement from the company said that "on the evidence which is currently available, the signifi-cant increase in the consolidated profits of La Général ought to allow all the write-offs which are foreseen to be taken into account." The message is that while this year's stated profit may not look so good, the decks are being cleared for a substan-

tial leap in 1989.

That is certainly the story which La Générale will be carryg to the international ment community in the new year, when Suez has indicated its intention to float off a part of the 80 per cent stake in the company which it acquired in the battle with Mr De Benedetti. The cost of the shares is a heavy burden.

Mr De Carmoy was cautious on the exact timing - perhaps con-scious that while he has taken some of the harder strategic decisions, the market will be eager for evidence that the new policy is paying off. There is a long way to go.

(\$333m) rescue operation for three of La Générale's most depressed businesses and yester-day's subsequent press briefing from Mr Davignon and Mr De Carmoy — is that a clearer pic-ture of the group's financial and Rothmans profits rise by 11%

cigarettes and huxury consumer goods company, yesterday reported interim pre-tax profits up 11 per cent — but the figures also showed that restructuring

also showed that restructuring benefits at the group's tobacco division are diminishing.

Operating profits at the tobacco division achieved a mere seven per cent rise to £148.5m (\$270m), after a 78 per cent leap in the comparable period. Strong performances from Dunhill and Cartier, the jewellery and performe concerns, combined to propel group pre-tax profits to pel group pre-tax profits to

Slight City disappointment with the pre-tax result was miti-gated by a better-than-expected gates by a fetter-man-expected 19 per cent rise in earnings per share. The "B" ordinary shares closed at 464p, down 5½p. On broadly maintained sales of 1948m, margins on tobacco during the first half improved by about one percentage point.

Mr Malcolm Thompson,
finance director, said although

ROTHMANS International, the some further benefits of rational-

isation were yet to come through, they would represent "tinkerings" rather than big changes.

On the group's cash mountain, which had risen to £447m by the period end, Mr Thompson said: "We don't feel it's a bad problem to have just at the moment."

The group continued to look for acquisition targets but the very high values being attributed to branded goods was making it

to branded goods was making it harder than ever to find worthwhile ones, he said.

Cartier, which is 47 per cent owned, put in a glittering performance as luxury consumer goods registered a 48 per cent rise in profitability at the operating level to £46.2m.

With sales revenue standing at £265m (£219m), margins improved by about three percentage points.

Boots strides ahead to £132m

£18.72m, a 23 per cent increase.

Chioe, the French fashion and perfume house, was described as heading into significant profits for the first time. Net interest receivable came

Net interest receivable came out at £12.3m (£11.3m). Liquid funds at the end of the period were lower than they would otherwise have been because of two factors: the payment of the final dividend for last year in September instead of October, and earlier payment of certain excise duties and types duties and taxes.

Operating profits split into 296.5m (£75.4m) for associates and £98.9m (93.6m) for the com-pany and subsidiaries. Currency movements meant gross sales revenue, including associates, came out at £2.5hn. That was marginally below last time though there was an underlying 2

improved by about three percentage points.

Dunhill Holdings, the 51 per
cent subsidiary, separately
announced last week it had
achieved pre-tax profits of the term dividend is set 17 per cent higher at 3.5p.

CARRÉ, ORBAN & PARINERS INTERNATIONAL

Management Consultants in Executive Search, Management Audits and Company Acquisitions

have the pleasure to announce the opening of their

Madrid and Barcelona offices

a £5.9m turnround to a £1.5m

By Maggle Urry in London

chemist, yesterday defied the gloom in the rest of the retail sector by reporting group interims profits up nearly 20 per cent at 232.4m. The shares rose 4p to 233p, despite the fall in the market.

Without that boost, the retail division increased profits 38.4 per cent to £59.5m. Mr Robert Grown

Excluding property profits of chairman, said that the drive to 57.4m (compared with £5.8m) improve the business's focus and pre-tex profits in the six months to end September were £125m.

The use of electronic point of sale £10m above City expectations, Sir 210m above City expectations, Sir James Blyth, group chief execu-tive, said that Christmas sales tification of poor returns on prodwere very encouraging at pres-

The profit increase came from the retail side, which increased trading profits 53.5 per cent to 236.0m. Part of the gain resulted from a change in the pricing policy between the industrial and saw profits 33.6 per cent ahead,

BOOTS, the retail and industrial retail divisions. The retail side buys many of its products from the manufacturing business and

> Without that boost, the retail division increased profits 38.4 per cent to £59.5m. Mr Robert Gunn, uct lines, had allowed the retail division to get rid of unprofitable lines and replace them with higher margin goods, with a major effect on margins.

The retail division was helped by a near doubling of profits from the opticians chain, to £1.9m, and profit by the overseas businesses. Childrens World, the expanding chain catering for children, made a loss of £2.6m (£2.5m) because of start-up costs.

The industrial side fared less

well. Sales were 2.9 per cent down at £255.3m and trading profits 12.3 per cent lower at £50.7m. This division bore the brunt of the adverse move in exchange rates, which cost the group £3.4m in pre-tax profits. Earnings per share rose 22.5 per cent to 9.8p and the interim dividend is up 1:13 per cent at

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INTERNATIONAL COMPANIES AND FINANCE

Banque **Bruxelles** Lambert ahead 10%

By Tim Dickson in Brussels

BANQUE Bruxelles Lambert, one of Belgium's three leading commercial banks, yesterday reported that consolidated net profit after transfer to tax-free reserves rose by 10 per cent to just over BFr4bn (\$111.4m) in the year ended September, while balance sheet totals moved up by 7.6 per cent to BFT1.795bn.

The improved results were accompanied by an announcement that the bank intends to offer its shareholders the choice between receiving cash for their dividends and reinvesting their coupons in BBL shares.

This practice of optional dividends, which will be put to the annual meeting in Febru-ary, is not uncommon in the UK but has not up until now been attempted in Belgium.

Commenting on yesterday's figures, a bank analyst said better evidence of the group's strong recent growth was pro-vided by the near 15 per cent increase in earnings per share to BFr403 while net cash flow over the period was 19 per cent better "compared with the downward trend among many other European banks."

BBI's return on equity has reached 15 per cent and its return on assets 0.29 per cent - the latter a figure low by international standards but

good by comparison with other Belgian banks.

During the year under review, BBL has improved its position on the Eurobond market. At the end of September, it was the leading Belgian bank in this market and ranked fourth in the world this year against ninth in 1987.

BBL's share price closed slightly higher last night at BFr2.940.

Valeo in US venture

VALEO, the French car components manufacturer, is forming a joint venture with Acustar, an offshoot of Chrysler of the US, writes our Finan-

The company will focus on high technology air condition-ing systems for the car maker.

Everyday low pricing — an idea whose time has come

Deborah Hargreaves outlines the sweeping changes taking place in US retailing, spearheaded by Sears, Roebuck

store in Wichita, Kansas, have been playing "spot the chief executive officer" this summer as rival retailers have flocked to the store to take a look at Sears' "everyday low

pricing" in action.

At Wichita - chosen for its relative obscurity - Sears has been testing the strategy it plans to extend to the rest of its 825 department stores. Its move is being watched closely by the rest of the retail industry, which is this year struggling with a sharp decline in

consumer spending. With everyday low pricing at the core of a major restructur-ing announced by Sears at the beginning of November, the 103-year-old company is aiming to turn corporate complacency into a low-cost mentality. The transition could prove to be a wrench for the world's largest retailer.

Faced with cut-throat competition from a battalion of new specialty retail stores and discount operations, Sears' department store ideology has lost out in recent years. The relying on the higher mark-ups and periodic sales favoured by department stores.

Although the company says it was contemplating the new strategy for more than a year. it was forced to precipitate an announcement by increased Wall Street activity in its stock amid takeover rumours. Mr Ed Brennan, Sears chair-

man, calls everyday low pric-ing an "idea whose time has come." But the trouble with the concept is that its time appears to have come for the retail industry as a whole.

K mart, the second largest

retailer, has already made a move this year to lower its own shelf prices, and Sears could still find it difficult to regain its market share in the aggressive environment. Mr Monroe Greenstein, retail analyst at Wall Street investment firm Bear Stearns, calls it evidence of a more honest pricing structure in the industry. Consumers are frustrated with what he calls fraudulent



sales" when merchandise is available during the wrong season at markdown prices. Sears reckons that its new pricing regime will cut promo-tional expenses in half. The company spends some \$80m a year devising new promotions and sales - on average, it

offers 8,000 items a month as part of a special sale - which in turn cost more to advertise. Since everyday low pricing will be accompanied by a move towards a narrower range of merchandise, the company will also save in inventory charges. In all, the new strategy could

warehousing, handling costs and advertising expenditure, estimates Mr Michael Bozic, who heads the company's mer-

chandise group. But Mr Brennan is quick to stress that Sears will not end up resembling the discount retailer with which it intends to compete. "There is a percep-tion that we will end up looking like a discounter with self-service counters and wider aisles for shopping trolleys. But the store will not look much different from a regular Sears department store."

In that case, analysts question how the giant retailer can convince customers that anything has changed. The strategy could take three years to introduce and Sears will have to cut far more costs if it is going into effective competi-tion with the discount outlets, says Mr Rick Nelson, of Doff and Phelos, the Chicago investment firm.

With sales set to reach \$27.5bn this year, K mart is a formidable competitor that could well topple Sears from

save some \$200m a year in its spot at the top of the indus-

mart was quick to move into the growing areas of spe-cialty and discount retailing cialty and discount retailing and, as a consequence, the company's growth has out-stripped that of Sears and J.C. Penney, the third largest stores group, both of which until recently remained entrenched in a department store mental-

K mart's comparable store sales have been growing at a rate just above 2 per cent this year in a slow retail climate while Sears and J.C. Penney have seen flat comparable

With the aggressive discounters working on low profit margins, Sears will have to cut more costs to pitch itself suc-cessfully into the fray. Analysts have thus far been lukewarm about the company's proposals, saying they do not go far enough to cure its ills.

Mr Nelson, of Duff and Phelps, says: "Just look at the discounters. K mart has a corporate staff of 3,500 with

almost the same sales total as

Sears." By comparison, Sears merchandise headquarters staff numbers 8,000 in what Mr Nelson calls a "bloated corporate

structure. Part of Sears' transformation into a company with a low-cost mentality is its decision to sell its landmark headquarters and move the merchandise group out to a less costly location.

Everyday low pricing is not intended to win back market share for Sears on its own. The company says it will move towards a more "category-dominated format" in its stores. This will mean some stores will concentrate on specific products

As part of another move in this direction, Sears will open a children's clothing store in Ford City, Chicago,

But Sears does not have much time on its hands. Its long-term strategy has already clashed with Wall Street's short-term expectations, and the stock market is still looking at the company as a potential takeover target.

Canadian bank surges 51%

By David Owen in Toronto

NATIONAL BANK, the sixth largest Canadian chartered bank, yesterday reported a 51 per cent increase in final quarter earnings.

On an operating basis, income was flat. The discrepancy is explained by a C\$22m (US\$18.4m) provision for losses on transborder claims made in the 1987 fourth quarter.

Profit for the latest period totalled C\$67.1m or 55 cents a share, against C\$44.4m or 38 cents a year ago.

For the full year to October 31, net profit was C\$226.3m or C\$1.87, against a year-earlier loss of C\$45.7m. The loss includes a hefty

provision of C\$298m for losses on transborder claims. At an operating level, 1987 net earn-ings reached C\$252.3m.

The 10 per cent or C\$28m decline in year-on-year net

operating income corresponds almost exactly with a C\$26.5m after-tax loss in relation to transactions by one of its New York-based bond traders.

At the latest year-end, the Montreal-based bank's provi-sion for losses on sovereign loans was C\$574m, representing 38 per cent of the gross amount outstanding.

In September, the bank completed the acquisition of 73 per cent of the securities dealer Levesque Beaubien. The pur-chase had little impact on fourth-quarter results.

George Weston flat as unit disappoints

By David Owen

GEORGE WESTON, the Canadian food, fish processing and forest products group, has reported flat third-quarter earnings, primarily because of the disappointing performance of its Loblaw Companies unit. Net income for the period edged up just 2 per cent to C\$40.4m (US\$34m) or 81 cents a share from C\$39.7m or 80 cents

a share a year earlier. Revenues declined marginally to C\$3.22bn, against C\$3.29bn in

For the nine months ended September 30, net earnings advanced strongly, thanks to a C\$64.3m extraordinary gain on the disposal of the interBake Canada division of Weston Foods. The sale raised gross

proceeds of C\$115.7m. In all, the group's nine-month profit climbed fully 80 per cent to C\$158m or C\$3.22 a share from C\$38m or C\$1.65 a

Revenues increased to C38.4bn from C\$8.3bn, Before extraordinary items, net income was ahead just 7 per cent at C\$93.7m.

Volvo forms finance unit in Holland

By Robert Taylor in Gothenburg

VOLVO, the Swedish auto, food and trading group, is creating a new financial organisation registered in Holland. The new company will be responsible from January 1 for the group's long-term borrowing on the international mar-ket and provide finance for operating capital in Volvo's turopean subsidiaries. It will also trade and invest

in the money, capital and currency markets.

The Bank of Sweden has authorised Volvo to transfer SKrlbn (\$167m) to the new sub-

sidiary as shareholders' equity. Mr Pehr Gyllenhammar, the company's chief executive officer and chairman, said: "The aim is to improve the return on our financial sector and improve the co-ordination of our financial activities." The new company will to complement the financial activities of AB Fortos, Volvo's wholly-owned subsidiary.

Buehrmann boosts profits 35% By Laura Raun in Amsterdam

BUEHRMANN-Tetterode, the Dutch paper and board group, boosted earnings by 35 per cent in the first mine months and repeated its forecast that fullyear profits would amply exceed those of 1987. Net income surged to Fl 97.5m (\$50.5m) or Fl 3.64 a

share in the January-September period from Fl 72m or Fl 2.97 a year earlier. The industrial products division, where recent acquisitions were made, and graphic equipment

were credited with the strong performance. The consumer products division failed to respond as rapidly to restructuring as the

company had hoped.

Disposals have been costly and a new household paper factory in Northern Ireland has been plagued by the rising price of raw materials and start-up problems.

• Wereldhave, the Dutch

the UK, has given details of its planned FI 279m rights issue. The company will issue 1.567m new shares on a one-for-five basis. The proceeds will boost shareholders' equity to

Net asset value per share at the end of September was Fl 164.75, against Fl 158.36 at the end of 1987. Direct investment results for the first nine property group which recently months rose from Fl 51.7m in the 1987 period to Fl 59.7m.

Fresh share offer for San Diego Gas

By Our Financial Staff

SAN DIEGO Gas and Electric has received a further shareswap offer from SCEcorp, the Los Angeles-based parent com-pany of Southern California Edison.

A merger of SCEcorp, the holding company for Southern California Edison, and San Diego Gas would create the largest electric utility in the

US with about 4.8m customers. San Diego Gas has deferred a decision on the offer for another week. It is estimated to value San Diego Gas at around \$2.37bn.

SCEcorp is proposing to exchange 1.3 shares of its common stock for each common share in San Diego, compared with the previous offer of 1.225

shares, which valued the com-pany at around \$2.36bn. This offer was rejected by Sau Diego's board. The latest pro-posal includes an exchange of the companies' preferred and

SCEcorp's move follows the demise of San Diego's merger plans with Tucson Electric

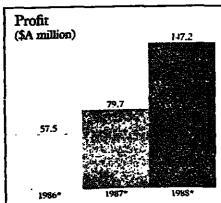
preference stock.

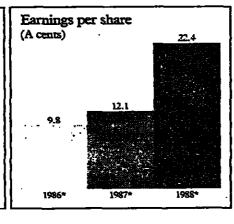
CSR's Half Year 1988

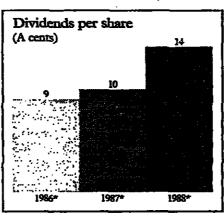
A record result:

★ Operating profit up	85%
★ Earnings per share up	85%
★ Dividends per share up	40%

Almost \$A1 billion spent on expanding building materials activities







*Half year to 30 September

CSR Limited, one of Australia's largest public companies, is a major building and construction materials company, the largest sugar miller and refiner, and has very competitive aluminium investments.

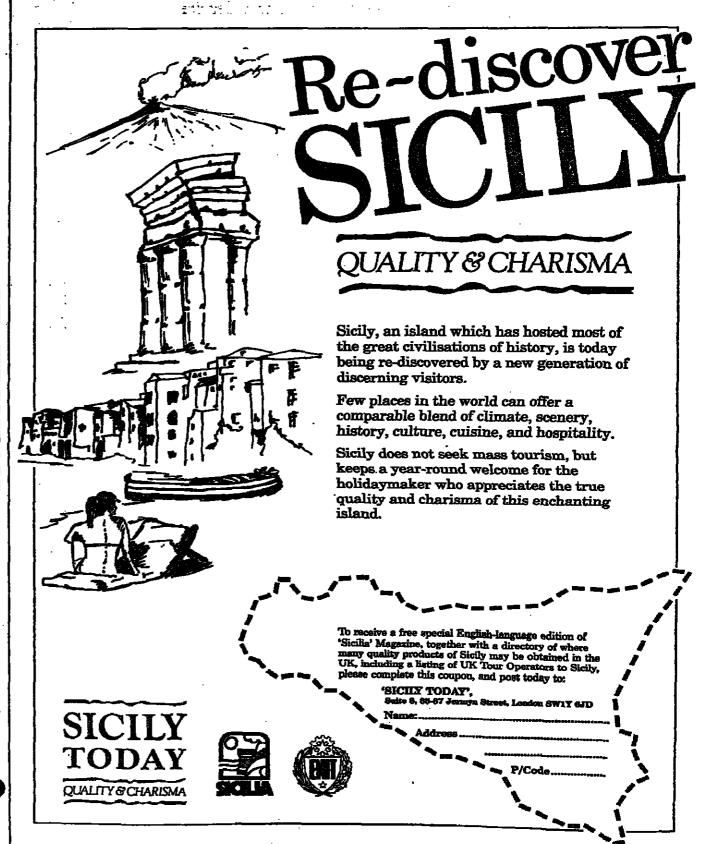
CSR is well placed to further develop its building and construction materials activities, both domestically in Australia and its international activities in North America, the UK and Europe.

To complement the increasingly international nature of its building materials business, CSR is applying for its shares to be listed on the International Stock Exchange in London.

Further details on CSR's results and growth prospects are provided in the half-yearly results summary. For a copy please complete and return this coupon to: CSR International Pty Ltd, 66 Mark Lane, London EC3R 7HS, UK

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FINANCIAL TIMES FRIDAY NOVEMBER 25 1988



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SocGen spotlight moves to Axa-Midi

By Paul Betts in Paris

THE BATTLE over Société Générale, France's leading pri-vatised commercial bank, is entering a new phase with the spotlight shifting away from Mr Georges Pebereau and on to the French Axa-Midl insurance

Although Mr Pebereau and his allies have accumulated a stake of just over 10 per cent in SocGen, attention is becoming increasingly focused on the emergence of the big French insurance companies in the

Mr Pebereau, former chairman of Compagnie Generale d'Electricité (CGE), now appears to be planning to adopt a lower public profile and manoeuvre in the wings with the new insurance players

which have entered the battle. Mr Pebereau believes he remains in a strong position in spite of SocGen's recent defen-sive build-up. After unsettling the management of SocGen by taking a 10 per cent stake in the bank, Mr Pebereau now appears to be relying on a new distribution of cards in the complex battle with the arrival of the insurance groups. Compagnie du Midi con-

firmed at the beginning of this week that it had acquired from Kleinwort Benson a 12.78 per cent stake in SIGP, the main vehicle Mr Pebereau has used to build his stake in SocGen.

group also indicated it would welcome co-operating with Soc-Gen and would invest directly

in the bank.

However, the motives of Midi, which earlier this year merged its insurance subsidient Accounts of Company o iary Assurances Groupe de Paris (AGP) with those of Axa, are still unclear. Financial sources suggest, however, that the Midi move is part of the running battle between Mr Bernard Pagezy, chairman of Midi, and Mr Claude Bebear, the chairman of Axa, for over-all control of the Axa-Midi

insurance empire. Indeed, Mr Bebear, who owns 28.6 per cent of Midi, was inturiated by Midi's announce-ment that it had bought the

Meinwort Benson stake.

These latest developments have also coincided with purchases of Midi shares by Assicurazioni Generali, the Italian insurer, which has now increased its stake in Midi to around 17 per cent. And while Mr Pagezy is still trying to fend off the Italian group, Mr Bebear appears to view with growing favour a broad Midi-Axa-Generali alliance to form what would become Europe's biggest insurance conglomer-

This insurance battle, according to bourse sources, now risks becoming increasingly embroiled with the Soc-

To the Holders of

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Pursuant to the Indenture dated as of February 6, 1987 between Collateralized Mortgage Obligation Trust Twenty and Texas Commerce Bank as Trustee, notice is hereby given that the interest rate applicable to the above Bonds for the interest period from November 25, 1988 through February 24, 1989 as determined in accordance with the applicable provisions of the Indenture, is 9.6875% per annum.

COLLATERALIZED MORTGAGE OBLIGATION TRAIST TWENTY

Sandvik profits rise on strong demand

By John Burton in Stockholm

SANDVIK, the Swedish cemented carbide and special steels group, increased pre-tax profits by 41 per cent to SKr1.92bn (\$317.3m) during the first nine months of 1988, and predicted pre-tax profits for the whole year would exceed its earlier forecast of SKr2.5bn due to continued strong market

demand.
Sales during the mine-month
period climbed 27 per cent to
SKr11.8bn, while orders rose 31 per cent to SKr12.7bn. Sandvik reported pre-tax profits of SKr1.89bn in 1987 and sales of

Strong sales, particularly in North America, and recent acquisitions in the US and Asia are contributing to the increase. Sales in North America ica jumped by 79 per cent to SKr2.28bn while sales in Europe, Sandvik's biggest mar-ket, climbed by 19 per cent to SKr6.93bn.

All five main divisions reported improved sales and operating profits. The steel division reported the biggest profit increase, surging by 95 per cent to SKr440m based on a 31 per cent increase in sales to SKr3.88hn_

Sales for the cemented carbide division, the group's big-gest unit, totalled SKr6.32bn, up 27 per cent from the previous year, while profits rose by 25 per cent to SKr1.19bn.

• Trelleborg, the Swedish industrial conglomerate, has bought the hard rubber production units of Austria's Semperit and Chloride Group of the UK for an undisclosed sum to become the world's leading producer of rubber casings for the battery industry, Reuter

Production at the Boltonbased Chloride unit, with annual sales of SKr20m, will be moved to Trelleborg's Spondon Plastics subsidiary at Spondon in the UK. Trelleborg said the Linz-based Austrian unit, which currently has annual sales of SKr60m, is to be closed and production moved to Trelleborg's Dutch subsidiary at Hoogezand.

Roche beats flamingo syndrome

Peter Marsh on moves to expand the chemical group's product base

ons he no longer has to worry about the flamingo syndrome. Mr Gerber is not a zoo keeper but the chairman of F. Hoffmann-La Roche, the Swiss chemicals company which he believes for

too long stood on one leg.

The Basic-based Roche is virtually synonomous with Valium, the name of the company's best selling tranquilliser which during the 1970s and early 1980s provided enormous revenues.
Sales of this product - and

of other similar drugs which act on the brain to reduce anxiety - propelled Roche into the first division of the world's drug companies.

More recently, however, the

company has faltered. This has been due largely to falling tranquilliser sales brought about by competition from cheaper, generic drugs together with general unease about the unpleasant side effects of anti-anxiety medica-

Mr Gerber, who is a lawyer by training, has spent the past few years reshuffling Roche's management, bringing in younger people to replace older executives who have retired.

He believes Roche has now stopped being dominated by Valium and similar products. "It took an enormous effort to rid ourselves of the flamingo syndrome," says Mr Gerber, who was in a reflective mood during a recent interview in his large and airy offices overlooking the Rhine.

According to Mr Gerber, who is a studiously polite 59-year-old, Roche now has a good spread of drugs on sale and under development, buttressed by a range of other activities including sales of fine chemicals, fragrances and flavour-

However, his big attempt to push Roche into a new era came to nothing. Last January Mr Gerber – who took over as Roche chairman in 1978 and combines this job with being chairman of the Zurich Insurance Group - bid \$4.2bn for Sterling Drug, a leading US maker of non-prescription

The acquisition would have helped Roche to develop its small but growing over-the-counter business and



tion in North America — which last year accounted for one third of Roche's sales. The effort failed, however,

after Eastman Kodak, the photographic and electronics group, turned the bidding into an auction and ultimately snapped up Sterling for

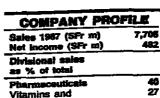
Mr Gerber says of the tussle: "It (the acquisition) would have been a perfect fit. We had the potential on the research side of the drugs business and they (Sterling) had the marketing strengths. But we Swiss have a sharp pencil. In the end the price was too high."

Mr Gerber, whose company has about SFr5bn (\$3.5bn) in liquid cash, says he has not given up making a big acquisi-tion in the US drugs business. He declines to say which companies he has in mind -although among the US pharmaceutical companies which are commonly thought of as being possible takeoever tar-gets are Rorer and Pfizer.

"We want to use the money (the liquid cash) in the devel-

opment of the group. It is not burning a hole in our pockets. We can wait for a good com-pany to come along."

Among Mr Gerber's preoccupations in the past few years has been changing the strategy of Roche's research and development (R&D). The lion's share of the company's research spending, which last year came to SFrlbn, goes on health-care products — an area which, encompassing drugs and diag-



Vitamins and line chemicals Fragrances and Sevours Crop protection

Fritz Gerber (left): acquisition cash is not burning a hole in the Roche pocket

nostic systems, accounted for roughly half Roche's sales SFr7.7bn. Net after-tax income for the year was SFr482m. In the past, says Mr Gerber, the company had plenty of ideas in the "R" side of its research and develonment

research and development activity but fell down when it came to bringing products into the market.

"We had first-class molecules at the research stage but a lot of them got lost. My job has been to establish priorities and get better links between the research and clinical sides of the company. In the past in research we were a bit like a

nti-anxiety drugs like Valium, which is Roche's second biggest selling pharmaceutical, still add up to an important area for the company. The group has, however, moved into newer products, including treatments for skin disease, AIDS and cancer medications. Roche's biggest selling medica-tion last year was Rocephin, an antibiotic which had estimated sales of \$540m.

Mr Gerber reacts cautiously when the discussion turns to the possible side-effects of some of Roche's products. Val-ium, together with other tranquillisers based on chemicals called benzodiazepines, has been linked to over-use, leading to some patients becoming highly dependent on them. Roche was also in the head-lines earlier this year over

medical difficulties which have arisen in the US concerning Accutane, a Roche anti-acne drug. The product is thought to have led to birth defects in some cases where it has been prescribed to pregnant women.

Of the controversy over Valium and similar tranquillisers made by Roche, Mr Gerber says that he lacks the scientific expertise to discuss in detail whether such products cause dependency. He points out that for prescription drugs like Valium it is doctors, not pharma-ceutical companies, who are responsible for choosing an appropriate medication for their patients.

"We are concerned about any indication that our drugs might be being overused," says
Mr Gerber. "We have no interest in seeing our drugs overprescribed."

Mr Gerber says he does not feel any embarrassment about Roche being so strongly linked to Valium, nor does he think this has hurt the company's corporate image. "We feel Val-ium is a first-class product."

As for Accurane, Mr Gerber says the drug is a "real break-through" for treating certain severe forms of skin disorders. Roche had always known, how-ever, about defects in the drug which could arise if it were taken by pregnant women -and had warned the medical

profession about this. Problems might have arisen, says Mr Gerber, if these warn-ings had not been adhered to. "I am convinced Roche has behaved honourably and responsibly over Accutane. Regarding the future for

Roche, the company, whose scientific skills are generally well regarded, is thought of as being in a good position to exploit technical advances in fields such as biotechnology which could lead to new and promising drugs. The same applies to diagnostic systems. an area where Roche recently reached a novel agreement to distribute its products in the Soviet Union.

The company is also strong commercially in flavourings, vitamins and fragrances areas which if not growing at an especially high rate com-mand high profit margins for the right product.

AMB sees earnings increase

By Our Financial Stati

AACHENER UND Muenchener Beteiligungs, the holding company for the Aschener Und Muenchener insurance group, said it expected earnings to continue to improve in

Mr Helmut Gies, AMB man-agement board chairman, said yesterday that, based on figures for the first nine months, total annual income from subsidiaries and investments should rise to DM114m (\$66.4m) from DM106m in 1987.

He repeated earlier state-ments that AMB would pay a steady dividend of DM12.50 per share in 1968. Income from insurance should rise to DM56m in 1968 from DM47.2m

in 1987, said Mr Gies.
He did not make any profit forecasts for 1988. In 1987 AMB made a net profit of DM55.5m, up from DM25m in 1986. In June Mr Gies said 1988 net profit should rise to net profit should rise to DM62.8m.

The chairman said Bank für Gemeinwirtschaft (BfG), in which AMB owns 50 per cent plus one share, should contrib-ute just under DM40m to 1988 earnings, steady from last

As of September 30, BfG's balance sheet total stood at DM47.8bn, 3.9 per cent higher than at the same time last

Unconsolidated premium income from insurance should rise 7.2 per cent to DM4.9bn in

• Ruhrgas, the West German gas utility which is majority owned by coal producer Ruhr-kohle, said it planned to raise its capital by DM700m to DM1.8bn to finance an investment programme.

Wella income edges ahead to DM95.7m By Our Financial Staff

WELLA, the West German hair care and cosmetics group, said yesterday its group pre-tax profit climbed 7.9 per cent in the first nine months of 1988 to DM95.7m (\$55.7m) from DM88.7m a year earlier. Group sales rose 12.5 per cent to DM1.56bn from DM1.38bn.

(Ativertisement) und Eustuithu nefun i

Favorable business climate continues in Japan

Personal Consumption and Capital Investment, Progressing Satisfactority in Japan

November 1988: Vol. 18, No. 11 -

Inflationary fears in the U.S., particularly in the financial market, have been somewhat allayed because of the imposition of tight monetary policies, the drop in oil prices, and the stability of primary commodity

This does not mean, however, that the fear of inflation has been obliterated. Following the steady rise in capacity utilization, the supply and demand for finished products remains tight. Yet in the labor market, wage increases have become a more difficult problem than unemployment rates. The levelling of unemployment rates started last spring. But a steady rise in wages are certain to have an effect on prices. Thus, it is still too

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Apr.-June

1997

early to predict an end to inflationary

ing at a brisk pace.

however, shows that domestic demand is slowing down, particularly in the household sector. Personal consumption has weakened primarily in

Apr.-June

London Branch: 122 Leadenhall Street, London EC3V 4PA, England Tel. 01-283-0929 Subsidiaries in

Circus, London EC2M 7BP, England Tel. 01-638-9433 Associated Companies in London: Associated

London: DKB International Limited, Garden House, 18 Finsbury Circus, London EC2M 7BP, England

Tel. 01-920-0181, DKB Investment Management International Limited, Garden House, 18 Finsbury

Japanese Bank (International) Ltd., European Brazilian Bank Ltd., International Mexican Bank Ltd.

Meanwhile, the business climate in the U.S. continues to be favorable. Reflecting increased production, the monthly capacity utilization rate from April to August has attained a new high every month. Also during this period, equipment orders (excluding those from the Defence Department) rose 21.9% over the same period last year which indicates that plant and equipment investment are proceed-

A closer look at demand trends,

reased to an annual rate of 1.46 million units for June to August as compared with the 1.5 million housing starts recorded for the March to May period. Among other reasons, this is believed to be the result of the spreading impact of the rise in interest rates.

Exports which have held the leading role in boosting the economy, are continuing to expand although the growth rate has peaked. The rapid growth in export volume from the second half of last year was mainly the result of the cumulative effects of the low dollar and the growth of the world economy led by Japan and Europe. The recent stability of the dollar is, nevertheless, expected to decelerate exports and, consequently, slow the pace of the trade imbalance adjustment.

It is likely that the U.S. economic growth will slacken because of decline in domestic demand and bill in its export drive. Although a slowdown in the economy would tend to ease inflationary pressures, it is ex-pected that the dollar will fall in concert with the deceleration in the growth of exports which in turn will dull the improvement in external imbalances. Thus, it will not be so easy to significantly reduce inflationary

Continued strength of the

A negative growth rate of 3.9% was recorded for the Japanese economy during April to June compared with the same period last year. Since then, it is believed to be expanding briskly based on the recovery observed in exports, the expanding domestic demand, strength of personal consumption and investments in plants and

Consumption trends continue to boom under favorable conditions for household income as a result of positive employment and wage conditions, as well as stable prices (Fig.). Sales of durable goods have been particularly noteworthy. The influx of products from the Asian NIEs, spurred by the high yen, have intensified competition in the domestic market. To survive in the competition, higher quality domestic products, both in terms of function and design, have been introduced and prices for all goods have fallen dramatically. As of products.

the purchase of durable goods partly August 1988, prices were 5% lower because of drought-affected farm in- than they were at the start of the yen's comes. Housing investment de- rise in 1985. Plant and equipment investments have increased, reflecting improved corporate income and favorable personal consumption trends. In fact, the recent climb in

machinery orders (excluding electric power and vessels) by the private sector marked the highest level of increase since 1973.

Exports have staged a significant

recovery. Export volume on a customs-clearance basis for the first half of this year (cumulative volume for January to June) rose by 2.5% over the same period of last year. And year-toyear growth rates for the July to September period rose remarkably by 7.3% because of the following: (1) the yen has stabilized at a relatively low level (between 130 to 135 yen to the dollar); (2) Japanese companies' countermeasures to the high yen have begun to take effect; (3) the demand for parts has been increasing in line with growing Japanese offshore pro-duction; and (4) the concept of high value-added products is being promoted and new markets are beginning to surface. Also noteworthy is that the increase in the export of high value-added products has resulted in the increase of overall export volume.

Along with the recovery in export volume, the customs-cleared value of dollar-based exports is again increasing as a result of the rise in dollarquoted export prices.

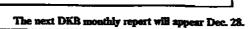
Stagnant improvement in the reduction of the trade surplus

While the recovery of exports is a positive factor for economic growth, it also serves to counteract any reduc-tion in Japan's trade surplus. The fall in crude oil prices has the same effect in slowing down improvements in the trade surplus. Since Japan imports 1.2 billion barrels of crude oil annually, a \$1.00 drop in the price of a barrel of crude oil reduces Japan's import payments by \$1.2 billion.

Consequently, it is almost certain that further cutbacks in Japan's trade surplus will remain at a standstill. This, along with the slowing improvement in the U.S. trade deficit, will likely to push the yen upward and intensify trade frictions.

Japan must continue its efforts to further expand domestic demand, promote the opening of its markets, and work towards increasing imports, particularly those of finished

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DAI-ICH! KANGYO BANK

group sales up by 30% By Our Financial Staff MANNESMANN,

Mannesmann

diversified West German engineering group, said yesterday that nine-month group sales advanced 30 per cent to DM14.3bn (\$8.4bn) from DM11.02bn a year earlier.

expects a "sharp gain" in profit this year due to strong demand for steel pipe, new acquisitions and cost-cutting. In 1987 profits rose 25 per cent to DM133.8m on sales of DM16.66bn.

Sales in the nine months were boosted by accounting for a large engineering project on the natural gas pipeline in Astrakhan in the Soviet Union, as well as the consolidation of Fichtel & Sachs.

In addition to higher profit at most divisions, Mannes-mann announced it broke even at its pipe unit, which the com-pany essentially wrote off last year after it lost about DM1bn in 1986 and 1987. Mannesmann also said the

Demag, Rexroth and plant engineering units had higher profits on a 20 per cent gain in sales to DM5.4bn.

CORRECTION NOTICE MANUFACTURERS HANOVER TRUST COMPANY

in accordance with the provisions of the Notes, notice is hereby given that the Rate of interest for the interest Period 23rd November 1988 to 23rd February 1989 has been fixed at 12½ per cent per annum. The Coupon Amounts will be 2555.17 or the 55,000 denomination and \$1,551.71 for the 550,000 denomination and will be provided the provided the second second and the provided the second secon denomination and will be payable on 23rd February 1989 against sur-render of Coupon No 17.

Manufacturers Hanover Limited (a Member of the Securities Association) Agent Bank



In accordance with the pro-visions of the Notes notice is hereby given that for the six month Interest Period from 23rd November, 1988 will carry an Interest Rate of will carry an interest react of 94% per annum. The Coupon amount payable on Notes of U.S. \$10,000 will be \$471.35 and U.S. \$100,000 will be \$4,713.54.

Bosinos Trent Company, London Agent Bu

Landesbank NOTICE to the holders of eask Stuttgart Girocentrale London Branch

A\$ 30,000,000 14 per cent. Notes due 1991 NOTICE IS HEREBY GIVEN to the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") that, at the adjourned Meeting of the Note-holders convened by the Notice published in the Financial Times and the Luxemburger Wort on 31st October, 1988 and held on 11th November, 1988 the Extraordinary Resolution set out in such Notice was duly pass

lasted by Landesbank Stuttgart Girozentrale, London Branch Deted 25th November, 1988.



to the holders of Landesbenk Shutgart Gkrozentrale London Branch A\$ 35,000,000 14 per cent. Notes due 1991

NOTICE IS HEREBY GIVEN to the holders (the "Noteholders") of the abovementioned Notes (the "Notes") that, at the adjourned Meeting of the Note-holders convened by the Notice published in the Financial Times and the Luxemburger Wort on 31st October, 1988 and held on 11th November, 1988 the Extraordinary Resolution set out in such Notice was duly passed.

Issued by Landesbank Stuttgert Girozentrale, London Branch Dated 25th November, 1988.

> Landesbank Stuttgart NOTICE to the holders of Landesbank Stuttgart Girozentrale London Branch

A\$ 50,000,000 13¹A per cent. Notes due 1992 NOTICE IS HISPEBY GIVEN to the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") that, at the adjourned Meeting of the Note-holders convened by the Notice published in the Financial Times and the Luxemburger Wort on 31st October, 1988 and held on 11th November, 1988 the Extraordinary Resolution set out in such Notice was duty passed.

issued by Landesbank Stuttgart Girozentrale, London Branch Dated 25th November, 1988.

> BADISCHE KOMMUNALE LANDESBANK GROZENTRALE NOTICE

to the holders of munale Landesber Badische Kommunale Landesbank Girozentrale A\$ 35,000,000 1438 per cent. Notes due 1991 NOTICE IS HEREBY GIVEN to the holders (the "Noteholders") of the above-

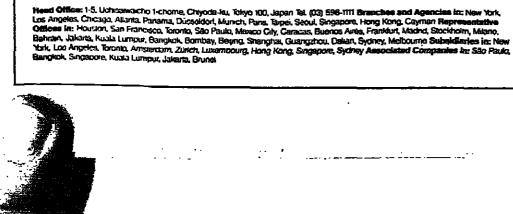
mentioned Notes (the "Notes") that, at the adjourned Meeting of the Noteholders converied by the Notice published in the Financial Times and the
Luxemburger Wort on 31st October, 1988 and in the Staatssraveger on 29th
October, 1988 and held on 11th November, 1988 the Extraordinary Resolution
set out in such Notice was duly passed. lessed by Bedische Kommunale Landesbank Girozentyale Dated 25th November, 1988.

> BADISCHE KOMMUNALE LANDESBANK GROZENTRALE

NOTICE to the holders of

AS 30,000,000 143A per cent Notes due 1992 NOTICE IS HEREBY GIVEN to the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") that; at the adjourned Meeting of the Noteholders convened by the Notice published in the Financial Times and the Luxemburger Wort on 3 ist October, 1988 and in the Stastsanzeiger on 29th October, 1988 and held on 11th November, 1988 the Extraordinary Resolution set out in such Notice was duly passed.

leaved by Badieche Kommunalo Landesbenk Giroxentrale Dated 25th November, 1988.





INTERNATIONAL COMPANIES AND FINANCE

Sumitomo regains slot as top Japanese bank

By lan Rodger in Tokyo

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SUMITOMO BANK recaptured its position as Japan's most profitable commercial bank in convincing fashion in the sixmonths to September 30, with net income more than doubling to V100 Shy (\$220.2m)

to Y100.8bn (\$830.8m).
The bank's profit slide in the past two years was caused by past two years was caused by its takeover of the near bank-rupt Heiwa Sogo Bank in October, 1986. Last year, the chairman's impatience with the time it was taking to restore profitability led to the unexpected early retirement of Mr Koh Komatsu, then president. Sumitomo Bank raised its profits before taxes and securities transactions to Y149.7bn in the first half, up 86.3 per cent compared with the previous period and well ahead of second-ranked Fuji Bank.

ond-ranked Fuji Bank.

Sumitomo's strong perfor-mance came in a period when all leading city banks enjoyed healthy profit gains, thanks to continued growth in leading at home and abroad. Many banks tried to increase the proportion of long-term loans to improve margins. Long-term loans to foreign governments boosted

JAPANESE COMMERCIAL BANKS' PROFITS (Ym) 24.5 26.1 16.7 14.2 1,199,169 1,161,046 1,029,594 107,940 149,899 111,308 58,517 47,096 62,322 62,118 80,354 198,397 85.3 4.6 3.3 100,835 83,866 1,046,421 925,548 91,193 28.5 11.0 10.2 -3.9 -8.2 346,971 18,808 202,696 566,255 7,767 7,481 14.9 15.1 23,158 432,879 Tokyo TOTAL 880 843 10,879,581 9,455,749

international earnings. How-ever, most suffered big falls in profits from securities dealing. Sumitomo, for example, said profits from domestic operations rose by about Y44.4bn, despite a halving of its income from securities deal-ing to Y10.2bn. Deposit and loan volume both rose by

about 12 per cent and the bank achieved an improvement in its interest margin. Revenue from international operations rose 64 per cent to Y72.5bn. Fuji Bank, ranked second in terms of profits before taxes and securities trading, had only a small 4.6 per cent rise in profits at this level. However,

its pre-tax profits jumped 43.3 per cent, indicating a stronger performance on securities than many others. The bank said it expanded loans to individuals and small companies in the first balf.

Dai Ichi Kangyo Bank (DKB), which remains the world's largest bank in terms of revenues, said its sales of bonds declined, but interest on loans and profits from international operations increased

Mitsubishi Bank, whose profit growth rate was among the most modest in the first half, said its costs rose partly because of the introduction of

a computer system. Sanwa Bank said it increased its loans by 13.8 per cent in the first half. Taiyo Kobe, the Kobe-based bank, said it made more long-term loans in the first half in an effort to maintain profitability, but profits before tax and securities transactions fell 1.6 per

Saitama Bank, whose profits slightly, said its securities and international business divi-

lending operations expanded.

Bank of Tokyo, the foreign exchange specialist, enjoyed very strong growth in its profits before tax and securities transactions, but pre-tax profits grew only 10.1 per cent to Y51.2bn.

Japanese credit banks buoyant

By Gordon Cramb in Tokyo

JAPAN'S three long-term credit banks, traditional suppli-ers of funds for industrial development, strengthened their profitability in the half-year to September as they found new activities to replace business lost in the gradual deregulation of Japanese bank-

ing.

They have recently entered sectors ranging from commercial paper underwriting to arr anging cross-border mergers and acquisitions, while at the same time acting to strengthen their capital base in line with Cooke committee international

By John Elliott in Hong Kong

MR ALAN BOND, the

Australian entrepreneur, yes-

terday took the Hong Kong stock market by surprise when it was announced that he was

at an advanced stage in negoti-ations to sell his 30.8 per cent stake in the colony's HK-TVB

and newly-listed TVB televi-

Several leading Hong Kong

companies were runouted by brokers as possible buyers, These include Hysan Develop-

Lines of demarcation between the three and the country's city or commercial banks have become increas-ingly blurred. City banks, still notionally restricted in their sources of funds to short-term deposits, have put the swaps market to use in enabling them to undertake longer lending where better margins can be found.

According to Long-Term Credit Bank of Japan, one main reason for its 143 per cent growth in first-half earnings, to Y54bn (\$444.8m) before tax, remained a steady increase in profits resulting

Kuok family, which has a stake in the colony's Shan-

when Mr Bond is trying to buy back the quoted minority shares in Bond Corporation International, which is quoted

in Hong Kong. It will raise questions about the offer of HK\$2.20 (28 US cents) made late last month by Mr Bond, because BCI's main assets are

the holdings in HK-TVB and

Bond selling Hong Kong TV stake

gri-La Hotel.

from revenues in domestic long-term lending. Industrial Bank of Japan, the sector leader, showed a 20.3 per cent pre-tax gain to Y104.8 m. At Nippon Credit Bank, profits were up 17.1 per cent to Y34m. Stripping out gains from securities dealings left com-

bined banking profits of Y147.5bn for the three institutions, an 18.6 per cent rise. The banks said another fac-tor affecting performance was the progressive reduction of funding costs by replacing high-coupon five-year debentures with those carrying a

casting rules, the group is being restructured into two separately listed companies, one operating the television

network and the other running diversified businesses.

There was speculation last night that Mr Bond was

mhappy with his role as a minority shareholder in HK-TVB and the new TVB compa-nies. Share dealings in BCI, HK-TVB and TVB were all

suspended yesterday morning.

Stressing Brierley's strong position following the reorganisation of the company and the shedding of several assets and minority shareholdings after the stock market crash, Mr HK-TVB, which is controlled by Sir Run Run Shaw, operates Hong Kong's leading television station. To meet new broad-

He said Brierley's position had improved since December 31 to a much greater existi than was reflected in the published accounts or visible in the annual report, and that the legacy of October 1987 would

Brierley said there appeared to be a significant political will in Australia to drive the corpo-rate sector to Third World sta-tus, with oppressive taxes and

Brierley 'still interested' in Bank of New Zealand

By Dai Hayward in Wellington

BRIERLEY INVESTMENTS. the New Zealand flagship of Mr Ron Brierley's international investment group, is still interested in buying the Bank of

Mr Brierley revealed to shareholders at the annual general meeting yesterday that his company, along with other potential bidders, is completing the "due diligence" process of examining the bank's assets and activities. Acquiring BNZ would have a "significant effect" on the whole group pro-file he said. file, he said.

Brierley said the group was reducing its overall debt every month.

eventually leave the group stronger than ever. In his annual report, Mr

He pointed to Brierley's "not infrequent disputes with the Australian authorities regarding shareholdings in various companies".

"It is instructive to ponder why these wrangles are so uniquely Australian, as the same problems do not arise in other countries - notwith-standing identical market

Australia had made a "horrible mess" of corporate regulations, creating an enormously cumbersome system, he said.

Mr Brierley warned that New Zealand may be heading down the same path through its planned changes to company law. However, he gave an assurance that his company had no intention of abandoning New Zealand, in spite of some unwelcome changes to the tax

Despite recent sales of New Zealand assets, Brierley had a bigger operating base in New Zealand than at this time last year. Its sale of assets was an effort to streamline the company's structure. Brierley has 196,000 share-

holders, more than twice as many as any other New Zea-land company and more than most Australian companies. No Brierley shareholder owns more than 5 per cent of the

Landesbank Schleswig-Hoistein Girozentrale

NOTICE

to the holders (the "Noteholders") of the A\$50,000,000 13% per cent. Notes due 1990 (the "Notes") of Landesbank Schleswig-Holstein Girozentrale (the "Bank") issued subject to and with the benefit of a Fiscal Agency Agreement dated 11th September. 1987, and a Supplemental Fiscal Agency Agreement dated 4th November, 1988, (together the "Fiscal Agency Agreement") made between the Bank, Kredietbank S.A. Luxembourgeoise, Kredietbank N.V. and ANZ Merchant Bank Limited (the "Agents").

SUBSTITUTION OF PRINCIPAL DEBTOR

Notice is hereby given to the Noteholders that, pursuant to Condition 13 of the Notes. with effect on and from 12th December, 1988:-

(1) LB SCHLESWIG-HOLSTEIN FINANCE B.V. (the "Substituted Debtor"), incorporated in the Netherlands and established in Amsterdam, will, pursuant to the provisions of a Deed of Assumption in favour of the Noteholders and the holders (the a Deed of Assumption in tayour of the Noteriolders and the holders (the "Couponholders") of the coupons appertaining thereto (the "Coupons") and a Second Supplemental Fiscal Agency Agreement (the "Second Supplemental Fiscal Agency Agreement"), both to be dated 12th December, 1988 and to be made between the Bank, the Substituted Debtor and the Agents, be substituted in place of the Bank as the debtor in respect of the Notes and the Coupons and under the Fiscal Agency Agreement; and

(2) the Bank will irrevocably and unconditionally guarantee the obligations of the Substituted Debtor arising from, or in connection with the Notes and the Coupons.

No new definitive Notes or Coupons will be issued and the existing definitive Notes and Coupons will not be overstamped or otherwise physically modified in any way. The Notes will, with effect from 12th December, 1988, be listed on the Luxembourg Stock Exchange under the name of the Bank followed by the name of the Substituted Debtor.

A notice containing information regarding the Substituted Debtor and a copy of the Articles of Incorporation of the Substituted Debtor have been lodged with the Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg, where the same may be inspected and copies obtained.

Any Noteholder who wishes to inspect copies of the Fiscal Agency Agreement or drafts (or, following such substitution, copies) of the Second Supplemental Fiscal Agency Agreement, the Deed of Assumption or the Guarantee mentioned above may do so at the specified offices of the Fiscal Agent and Paying Agents listed below:-

FISCAL AGENT AND PRINCIPAL PAYING AGENT

Kredietbank S.A. Luxembourgeoise, 43 Boulevard Roval. L-2955 Luxembourg

PAYING AGENTS

Kredietbank N.V., Arenbergstraat 7, B-1000 Brussels

ANZ Merchant Bank Limited. 65 Holborn Viaduct. London EC1A 2EU

Landesbank Schleswig-Holstein Girozentrale DATED 25th NOVEMBER, 1988

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ment, China Entertainment TVB now under negotiation, and Land investment, the famplus 50 per cent of the presti-ily empire of Sir Run Run gious Bond Centre develop-

Shaw, and the Singapore-based ment in central Hong Kong.

DM 100.000,000.—

Floating Rate Notes Schuldverschreibungen — Serie 225 —

For the three months 25th Nov. 1988 to 24th Febr. 1989 the notes will carry an interest rate of 4.85% (Fibor less 0,10%) per annum with a coupon amount of DM 60,63 per DM 5.000,— note. The relevant interest payment date will be 27th Febr. 1989.

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Dansk Eksportfinansieringsfond (Danish Export Finance Corporation)
(Established with limited liability in the Kingdom of Denmark)

Floating Rate Notes Due 1995 of which U.S. \$181,500,600 is being lessed as the initial tranche Notice is hereby given that the interest poyable on the Interest Poyment Date, December 22, 1988, for the period June 22, 1988, to December 22, 1988, against Coupon No. 7 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$439.08 and in respector U.S.\$250,000 nominal of the Notes will be U.S.\$439.08. November 25, 1988, London By: Citibank, N.A. (CSSI Dept), Agent Bank CITIBANC

Issue of up to U.S. \$200,000,000

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Landesbank Schleswig-Holstein Girozentrale

Canada (Belgium) S.A. and The Royal Bank of Canada (Suisse) (the "Agents").

SUBSTITUTION OF PRINCIPAL DEBTOR

Notice is hereby given to the Noteholders that, pursuant to Condition 13 of the Notes, with effect on and from 12th December, 1988:—

- in the Netherlands and established in Amsterdam, will, pursuant to the provisions of a Deed of Assumption in favour of the Noteholders and the holders (the "Couponholders") of the coupons appertaining thereto (the "Coupons") and a Second Supplemental Fiscal Agency Agreement (the "Second Supplemental Fiscal Agency Agreement"), both to be dated 12th December, 1988 and to be made between the Bank, the Substituted Debtor and the Agents, be substituted in place of the Bank as the debtor in respect of the Notes and the Coupons and under the Fiscal
- (2) the Bank will irrevocably and unconditionally guarantee the obligations of the

No new definitive Notes or Coupons will be issued and the existing definitive Notes and Coupons will not be overstamped or otherwise physically modified in any way. The Notes will, with effect from 12th December, 1988, be listed on the Luxembourg Stock

A notice containing information regarding the Substituted Debtor and a copy of the Articles of incorporation of the Substituted Debtor have been lodged with the Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg, where the same may be

Any Noteholder who wishes to inspect copies of the Fiscal Agency Agreement or drafts (or, following such substitution, copies) of the Second Supplemental Fiscal Agency Agreement, the Deed of Assumption or the Guarantee mentioned above may do so at the specified offices of the Fiscal Agent and Paying Agents listed below:-

FISCAL AGENT AND PRINCIPAL PAYING AGENT

71 Queen Victoria Street, London EC4V 4DE

PAYING AGENTS

The Royal Bank of Canada A.G., Gutieutstrasse 85. 6000 Frankfurt/Main 1

3, rue Scribe,

The Royal Bank of Canada (Belgium) S.A., Banque Internationale à Luxembourg S.A., rue de Ligne 1, B-1000 Brussels

> rue Diday 6, 1204 Geneva

Landesbank Schieswig-Holstein Girozentrale DATED 25th NOVEMBER, 1988

to the holders (the "Noteholders") of the A\$30,000,000 121/2% Notes due 1989 (the "Notes") of Landesbank Schleswig-Holstein Girozentrale (the "Bank") issued subject to and with the benefit of a Fiscal Agency Agreement dated 15th May, 1986 and a Supplemental Fiscal Agency Agreement dated 4th November, 1988, (together the "Fiscal Agency Agreement") made between the Bank, Orion Royal Bank Limited, The Royal Bank of Canada A.G., The Royal Bank of Canada (France) S.A., The Royal Bank of

- (1) LB SCHLESWIG-HOLSTEIN FINANCE B.V. (the "Substituted Debtor"), incorporated Agency Agreement; and
- Substituted Debtor arising from, or in connection with the Notes and the Coupons.

Exchange under the name of the Bank followed by the name of the Substituted Debtor.

inspected and copies obtained.

Orion Royal Bank Limited.

The Royal Bank of Canada (France) S.A.,

2 Boulevard Royal, L-2953 Luxembourg

The Royal Bank of Canada (Suisse),

Landesbank Schleswig-Holstein Girozentrale

NOTICE

to the holders (the "Noteholders") of the A\$30,000,000 144% Notes due 1991 (the "Notes") of Landesbank Schleswig-Holstein Girozentrale (the "Bank") issued subject to and with the benefit of a Fiscal Agency Agreement dated 3rd February, 1986 and a Supplemental Fiscal Agency Agreement dated 4th November, 1988, (together the "Fiscal Agency Agreement dated 4th November, 1988, (together the "Fiscal Agency Agreement") made between the Bank, Orion Royal Bank Limited, The Royal Bank of Canada A.G., The Royal Bank of Canada (France) S.A., The Royal Bank of Canada (Belgium) S.A. and The Royal Bank of Canada (Suisse) (the "Agents").

SUBSTITUTION OF PRINCIPAL DEBTOR

Notice is hereby given to the Noteholders that, pursuant to Condition 13 of the Notes, with effect on and from 12th December, 1988:—

- (1) LB SCHLESWIG-HOLSTEIN FINANCE B.V. (the "Substituted Debtor"), incorporated in the Netherlands and established in Amsterdam, will, pursuant to the provisions of a Deed of Assumption in favour of the Noteholders and the holders (the "Couponholders") of the coupons appertaining thereto (the "Coupons") and a Second Supplemental Fiscal Agency Agreement (the "Second Supplemental Fiscal Agency Agreement"), both to be dated 12th December, 1988 and to be made between the Bank, the Substituted Debtor and the Agents, be substituted in place of the Bank as the debtor in respect of the Notes and the Coupons and under the Fiscal Agency Agreement: and
- (2) the Bank will irrevocably and unconditionally guarantee the obligations of the Substituted Debtor arising from, or in connection with the Notes and the Coupons.

No new definitive Notes or Coupons will be issued and the existing definitive Notes and No new definitive Notes of Coupons will be issued and the existing definitive Notes and Coupons will not be overstamped or otherwise physically modified in any way. The Notes will, with effect from 12th December, 1988, be listed on the Luxembourg Stock Exchange under the name of the Bank followed by the name of the Substituted Debtor.

A notice containing information regarding the Substituted Debtor and a copy of the Articles of Incorporation of the Substituted Debtor have been lodged with the Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg, where the same may be inspected and copies obtained.

Any Noteholder who wishes to inspect copies of the Fiscal Agency Agreement or drafts (or, following such substitution, copies) of the Second Supplemental Fiscal Agency Agreement, the Deed of Assumption or the Guarantee mentioned above may do so at the specified offices of the Fiscal Agent and Paying Agents listed below:-

FISCAL AGENT AND PRINCIPAL PAYING AGENT

Orion Royal Bank Limited. 71 Queen Victoria Street. London EC4V 4DE

PAYING AGENTS

Gutleutstrasse 85, 6000 Frankfurt/Main 1 The Royal Bank of Canada (Belgium) S.A.,

The Royal Bank of Canada A.G.,

3, rue Scribe, 75440 Paris Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, L-2953 Luxembourg

The Royal Bank of Canada (France) S.A.,

The Royal Bank of Canada (Suisse), rue Diday 6, 1204 Geneva

Landesbank Schleswig-Holstein Girozentrale

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Algemene Bank Nederland N.V. Banca Cattolica del Veneto Banca Nazionale del Lavoro Banca Credito Agrario Bresciano S.p.A. Banca San Paolo di Brescia S.p.A. Banco di Santo Spirito Nuovo Banco Ambrosiano S.p.A. FIDIS-Finanziaria di Sviluppo S.p.A. Monte dei Paschi di Siena Eptaconsors S.p.A. Finanziaria Indosvez S.p.A. Gemina S.p.A. Banca Piccolo Credito Valtellinese Ranca Toscana S.p.A. Banca Antoniana di Padova e Trieste Banca Popolare di Novara Banca Popolare di Pordenone Banca Popolare di Bergamo Murray Johnstone Limited Cassa di Risparmio di Piacenza e Vigevano Rasfin S.p.A. Pasfin Servizi Finanziari S.p.A. Credito Commerciale Interbanca

October 1988

All of these warrants having been sold, this announcement appears as a matter of record only

65,000,000 Warrants

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65,000,000 Ordinary Shares held by Serafino Ferruzzi S.r.l.

Offer Price Lit. 500 per Warrant

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Crediop CL - Alexanders Laing & Cruickshank Morgan Stanley International

Istituto Bancario San Paolo di Torino Kidder, Peabody International Limited Prudential - Bache Securities Daiwa Europe Limited

FIN OMIT has advised Serafino Ferruzzi S.r.l. in this transaction

October 1988

Notice of Resignation and Appointment Tokai Bank Nederland N.V. U.S. \$100,000,000 71/2% Guaranteed Notes Due 1991 U.S. \$100,000,000 772% Guaranteed Notes Due 1972 Unconditionally Guaranteed by The Tokai Bank, Limited Notice is hereby given of the resignation of Manufacturers Hanover Limited from its appointment as Fiscal and Principal

Paying Agent on the above noted issue. Bankers Trust Company at Dashwood House, 69 Old Broad Street, London ECZP ZEE has been appointed as successor agent. Notice is further given of the resignation of Manufacturers Hanover Trust Company, at its office in Zurich, as a Paying

Manufacturers Hanover Bank (Luxembourg) S.A. changed its name to Bankers Trust Luxembourg S.A. as of 6th July 1988 and will remain as a Paying Agent.



First Republic Bank

U.S. \$150,000,000

Floating Rate Subordinated Notes due 1997 For the three months 23rd November, 1988 to 23rd February, 1989 the Notes will carry an interest rate of 91/% per annum with an interest amount of U.S. \$236.39 per U.S. \$10,000 principal amount of Notes, payable on 23rd February, 1989.

Agent Bank

INTERNATIONAL CAPITAL MARKETS

Interfinance Credit deal well received on quiet day

THE US Thanksgiving Holiday made for an extremely quiet day in the Eurobond market with few new issues emerging and most dealers reluctant to take positions with the US markets closed and another quiet day in prospect today ahead of the weekend.

One of the day's most successful issues appeared to be the FFr300m deal for Interfinance Credit National led by Crédit Commercial de France which will be fungible with two previous issues for the same borrower made earlier this year, taking the total to FFribn. This may not signify a large amount for the Eurobond market as a whole but marks a significant step towards greater liquidity in the Euro-French franc sector where paper of a similar top quality is in extremely short supply. The lead manager said syndication of yesterday's deal was swiftly completed and the issue was well bid within its total fee lev-

The day's other new deal was in the Australian dollar sector, a A\$75m deal for a unit of Dresdner Bank led by the parent. The issue was for Sing-apore-based Dresdner South East Asia, and is the first issue since the Singapore Ministry of Finance amended the tax Finance amended the tax regime to exempt withholding tax on interest derived from bonds.

Sector specialists considered the pricing reasonable for an issue from the guaranteeing bank which is acknowledged to

AUSTRALIAN DOLLARS
Dresdner (S.E.Asia) ♦

FRENCH FRANCS

Cariplo 🔷

be an excellent name for this sector. They added that the lead manager will probably count on placing most of the issue itself. It was hid within fees by the end of the day.

Several other Australian dollar issues are reported to be in the pipeline as swap opportunities currently look feasible. Analysts said the recent hike in the Australian re-discount

INTERNATIONAL BONDS

rate had led to a flattening of the yield curve which seems set to continue. The recent rise in rates has also made coupons at the shorter end of the mar-ket look extremely luring for retail investors. However, many dealers mentioned that the approach of Christmas could now start to seriously slow placement in sectors such as the Australian dollar market which is so dependent on retail accounts.

This will probably also apply to the Canadian dollar sector which was quiet yesterday as houses continued to try and place the recent rush of new paper. Although the let-up in issuance of Euro-Canadian dollar deals ahead of the recent federal election has certainly cleared the decks for some nev issues, the deals which have emerged so far have failed to catch the imagination of most investors who are waiting for a more attractively-rated borrower to tap the sector.

NEW INTERNATIONAL BOND ISSUES

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FT INTERNATIONAL BOND SERVICE

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300

4½.bn

♦Final terms. 2) Coupon 13½% first 3 years, reset after three and six years.

Among issues launched ear-lier this week, the Australian Wheat Board dollar straight deal appeared to be holding up well in quiet market condi-tions. The margin over compa-rable Treasury securities remained steady at around 45 basis points, which compared with the initial spread at launch of 48 basis points.

Wednesday's Eurosterling issue for Lloyds Bank slipped yesterday to trade just outside fees as the gilt market drifted lower in subdued business. Some dealers said the serial Some dealers said the servar amortisation on the deal had not proved popular with UK investors, adding that 10 year subordinated bank paper was not likely to meet over-enthusi-astic demand in current lack lustre conditions on the ster-ling-denominated bond market. Others also questioned the sterling placement power of the lead manager. Nevertheless, others conceded that Merrill Lynch appears to be forg-ing a significant relationship with the UK cleavers as a US house, having led varishie rate note issues for LLoyds and National Warmington National Westminster among

In Switzerland, customer time deposits were increased yesterday. The 3-12 months, which were 3% per cent, were increased, with 3-5 months now 4 per cent and 6-12 months now up to 3% per cent. This now mirrors the inverse yield curve which has been seen in Swiss Euro-deposit rates for several

12/1 Dreadner Bank

15 Nomura Int.

1%/14 CCF

EIB makes \$34m bond issue in **Portugal** By Peter Wise in Lisbon

THE EUROPEAN Investment Bank introduced an interus-tional dimension to the Portu-

tional dimension to the Portu-guese band market yesterday with a launch that marks a double debut: the first band issue in Portugal by a foreign institution and the bank's first venture in escudo borrowing. Investment strategists said the nine-year Es5bn (\$34m) issue was assured of success, byinging much needed thrid. bringing much needed liquid-ity and security to the some-what idlesyncratic and unpredictable Portuguese market.
One of Portugal's young private investment banks, Banco

Portuguès de Investimento, will be the lead manager, sec-onded by the investment soci-ety, MDM-Sociedade de Inves-Deutschebank in Luxem-

bourg provides the interna-tional perspective, acting as a special intermediary agent with the aim of creating a for-eign market for the bonds and co-operating with RPI to provide synchronous settlement of transactions in Portugal and other countries. Deutschebank in Frankfurt will act as the paying agent abroad.

The rate of interest for the

first three years of the issue is 13.5 per cent, equal to government debt paper and corre-sponding to an investors' yield of 13.96 per cent a year. The EIB will set new coupons for the two subsequent three-year periods, allowing investors a put-auction at each fixing. The bonds have a nominal value of Ss1,000 and will be issued in lots of 10, 50 and 1,000.

The KIB has pumped more than Es165bn into Portugal in low-interest loans since the country joined the European Community in 1986 and the bond issue reflects the bank's policy of raising matching funds in the same currency as its loans.

Mr Arnedo Orbananos, the EIB's vice president, said the decision to raise escudos to finance lending activities in Portugal only three years after the country entered the EC – compared, for example, with 12 years in the case of Denmark — indicated the growing momentum of the bank's activity in the fast-growing Portu-

guese economy.

The Portuguese bond mar-ket, dominated by public debt ket, dominated by public debt issues, holds the upper hand over the equity market that was closed down after the 1974 revolution and severely rocked revolution and severely rocked by last year's crash. However, it suffers from perennial liquidity problems and ana-lysts warn that issues are underwritten for some very shaky companies by banks that have not looked behind the assest figures for bidden the assets figures for hidden

S&P downgrades three leading Norwegian banks

By Karen Fossil in Oslo **DETERIORATING** conditions

in Norway's financial climate caused by widespread prob-lems with the country's econlems with the country's economy have prompted Standard & Poor's Corporation, the US-based credit rating agency, to downgrade the debt ratings of Den Norske Creditbenk (DnC), Christiania Runk and Raymen Den Norske Creditbenk (InC), Christiania Bank, and Bergen Bank, Norway's leading banks. S&P is also reviewing the long-term debt rating of Exportinans, the export finan-cing and credit institution of Norwegian commercial banks. For the second year run-ning. Norway's hears are ror the second year running, Norway's banks are experiencing historic loan losses spread over a wide range of domestic credits. S&P, said that would limit the banks' potential to improve profitability in the medium-

profitability in the medium-term.

DnC, once Norway's largest bank, has been hit the hardest and is facing asset quality problems, S&P lowered the bank's Eurocommercial paper and certificate of deposit rat-ings, and the US commercial paper ratings of its US affiliate from A-2 to A-3.

The assency acknowledges

from A-2 to A-3.

The agency acknowledges the cost-cutting aims of the bank but says there are uncertainties about their success.

The Eurocommercial paper and certificate of deposit ratings of Christiants were lowered from A-1 to A-2, its US-affiliate also had its US-commercial paper ratings lowered from A-1 to A-2, its US-affiliate also had its US-commercial paper ratings lowered.

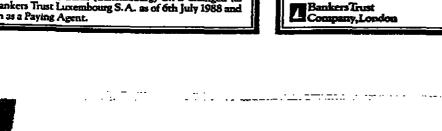
commercial paper ratings low-ered to A.2.

Rapid growth has led to asset quality problems, affect-ing profitability and equity levels, which are low by inter-matiental standings. national standings. Christiania's medium-term

outlook is seen by S&P as being more favourable than the other two banks, and for the first eight months Christiana lifted its operating profit to NKr879m from NKr712m lest year.

last year.

Bergen Bank's and its US
affiliate's debt rating was downgraded to A-2. Last month the bank estimated this year's losses on loans and guarantees would reach Nkri.lbn, twice the level of last year's losses.



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INTERNATIONAL CAPITAL MARKETS

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STEEL STORY with the term been UK GOVERNMENT conventional bond prices closed % to % lower in very thin trading as dealers flattened positions ahead of key UK trade data tomorrow. Market forecasts call for a compart account data call for a current account defi-cit of £1bm to £1.5hm, although dealers said some estimates run as high as £2bm, with firms positioning themselves accord-

with the US closed for the Thanksgiving holiday, retail interest has been very slim.
However, dealers pointed out a disturbing idiosyncrasy —

the divergent behavior of cash bond and futures markets for much of the day. While cash prices had firmed early in the day, futures prices slipped, with the two showing matching trends only towards the

Mr Michael Rughes, head of gilts sales at Barclays de Zoete Wedd, said that the divergence may reflect the distortions created by the Bank of England's buying in programme which has created a particular shortage of long-dated stock.

As a result, long-term gilt

prices reflect not just the cost of money but the availability of stock - a factor not measured in a futures contract. It is possible that the effective-ness of the futures markets as a hedge for gilts holdings may diminsh as long-term stock is removed from the market. Separately, the index-linked sector soared, with prices of longer dated issues rising as much as % points. Dealers said that the move defied the conventional wisdom that the sector moves inversely to the equities market for which it is

a proxy. However, they attri-buted the sharp rise today, in the face of only modest declines in stock prices, to the reversal of an earlier switch out of index-linked stocks. Last week, an institution is said to have sold a £200m posi-tion index-linked stock, a portion of which was passed on to the Bank of England. Today, a similar institution is said to have taken the opposite view on the market, placing a large order to buy the sector.

Danish government bonds fell steeply in very thin tradequities market for which it is

ing, following publication of a recommendation from Deutsche Bank that clients reduce their exposure to the sector.

Much of the foreign buying of Danish government bonds comes from West Germany and the bonds are particularly sus-

ment there.

The daily table showing prices and yields on benchmark government bonds does not appear today owing to the non-availability of the material from Technical Data/ATLAS

ceptible to changes of senti-

Hungary moves to boost private sector

Leslie Colitt assesses the impact of radical changes in company law

Hungary has taken a giant step forward towards the goal of a ungary has taken a interference with the private Western-style capital market within Eastern Europe's first mixed economy.

A radically new company law, adopted last month, guarantees the legal equality of private concerns with state companies. It is arguably the most important piece of legislation since. Hungary's economic reforms were launched in 1968. The momentum of the reforms is certainly being maintained. Only yesterday a tough economic restructuring programme was presented to parliament in Budapest. If implemented, loss-making

state companies would face a drastic loss in subsidies. It has been estimated that almost 150,000 Hungarians would lose their jobs as a result of such a restructuring of state companies, although many would be expected to find new employment in the

burgeoning private sector.

The new company law — which comes into effect on January 1 - sanctions private stock companies which may employ up to 500 workers. Previously the limit for a private company was 30 employees.

Hungary's economic reformers hope that as a result of the

legislation thousands of small and medium-sized joint stock companies will be founded in future years. They would help restructure the ailing economy and break the monopolies of existing state companies. But others fear that political companies from above may undermine the new law. They also question whether Hungarians who are being squeezed by economic austerity will have any money left over to invest

in stocks.

Mr Tibor Vamos, a computer specialist in Budapest, believes the Government no longer wants to influence companies. in stocks. "It did so in the past and was responsible for the results, which were often disastrous," he notes. "It no longer wants this responsibility."

Mr Vamos also suggests that a good number of Hungarians would be prepared to invest in the prospering computer sec-

The new law also enables state companies to issue shares for sale to the public. Economic commentators in Hungary, however, wonder who might be tempted to invest in state companies, most of which are losing money.

A recent report on Hungarian television noted that several large concerns were already turning themselves into joint stock companies under the existing law. They were reportedly selling shares to other companies and to the commercial banks in order to lighten their tax burden.

Significantly the new company law provides the framework for a capital market which will go into high gear when Eastern Europe's first stock exchange opens in Budapest next year. The pala-

FT-ACTUARIES SHARE INDICES

tial building housing the old Budapest bourse, shut down by the Communists in 1948, is now occupied by Hungarian TV. An interim securities market, which meets weekly, trades

have been criticised by the respected Hungarian econom-

PRICE Waterhouse yesterday announced that it has become the first accountancy firm to open an office in Budapest, and has been appointed to advise on the privatisation of Tungsram, a leading Hungaran company, writes Richard

Waters.
This is thought to be the first time a Western accountancy firm has set up shop in any Eastern Bloc country, emphasising Hungary's lead in

mainly bonds over the tele-

phone. Some Hungarian economists question whether the economy, with its preponderance of deficit-ridden state companies, has any use for such "frills" as a stock exchange. They note that West Germany has survived quite nicely with an underdeveloped stock market but with the active role of banks in providing finance.

Private stock companies in Hungary will be able to be founded with a minimum capi-talisation of Forints 10m (\$196,000) and any percentage of private, state or foreign shareholders. Minimum capital for limited companies is Forints 1m. Both amounts

ics weekly, HVG, as being too large to encourage smaller prospective entrepreneurs.

The new law stipulates that

the move to a market economy. By law, the operation has to be a joint venture with a local partner: PW has picked two of the country's leading four banks, the Hungarian Foreign Trade Bank and Buda-pest Bank, each with a 10 per cent stake in the operation.

Advising Tungsram, which already has an international

if government or public finan-cial institutions hold at least 30 per cent of outstanding shares, they may gain 51 per cent of voting rights. Whether this can be forced through in practice, though, will depend on the negotiating skill of private

shareholders, according to Mr Peter Forgacs of the Hungarian

presence as the manufacturer

light sources, is also a first.

of 5 per cent of the world's

Chamber of Commerce. Mr Karoly Grosz, the party leader, told US businessmen last summer that the Government would in fact "annreciate" certain Hungarian companies passing into 100 per cent foreign ownership, as provided for under the new law. But Western companies will be more interested in the prof-itability of operating in Hun-

British Funds

gary. Thus far only about 200 of them have entered into joint ventures with Hungarian firms, although the terms are undoubtedly the best in any Socialist country.

West German companies have the largest number of joint ventures in Budapest but the Ostausschuss (Eastern trade board) in Cologne says German businessmen are hardly "buzzing with excite-ment" about investment prospects in Hungary. The main problem is the small size of the Hungarian market and the lack of access to other Com-econ economies.

r Ervin Zsubori, the Hungarian economic writer, offered some other reasons why Hungary was finding it difficult to attract Western investments.

At a time when Hungarian companies are being deprived of subsidies for exports to other Comecon countries, he pointed out that it made little nse for Western companies to enter into partnership with potentially "bankrupt" Hungarian companies. It was sim-ply not enough, Mr Zsubori said, to guarantee the right of Western joint ventures to repatriate their profits.

In order to attract significant foreign capital to Hungary, its virtually unchanged economic structure would have to be rad ically altered. This could only be accomplished by a "drastic slashing of subsidies and bank-

Pacific region will 'lead rise in futures'

By Chris Sherwell

GROWTH in the world's futures markets in the 1990s will come from the Asia-Pa-cific region. Led by Japan, it will bring important benefits to Sydney's futures exchange, Mr Les Hosking, chief execu-tive of the exchange, said yes-terday.

terday.
Unveiling details of an important conference on Asia-Pacific futures in Sydney next February, he said that for the first time in 15 years US futures markets, which dwarf all others, were showing zero or negative growth in trading

volumes.
In the Asia-Pacific region, however, both Sydney and Singapore were still showing powerful growth while from would next year, Japan would become involved in futures activity in a hig way as it liberalised its existing limited

arrangements.
"Japan, Singapore and Sydney already contribute far more to futures trading turnover than all the various European futures exchanges com-bined," he said.

"With the changes in Japan, the gap with the US will nar-row as those wishing to hedge risk focus increasingly on this time zone. "It is up to us to reap the

Mr Hosking also foresaw an increasing globalisation of futures markets in which the various products offered on the Sydney exchange would be available elsewhere, and vice

The great worry was that the main trading floors - the Chicago Mercantile Exchange, Chicago Board of Trade and become so anxious about pro-tecting their own market vol-umes in the face of Japanese competition that they might refuse to recognise the Japa-"We have already seen a hig

push from the US to keep its turnover through extended trading hours and better accessibility to their clearing mech-

"But it will also have to consider a lowering of its regulatory standards."

State borrowings begin to shrink

By Norma Cohen

CONSIDER THE world's incredible shrinking bond markets. The explosion of government borrowings all through ment borrowings an through
the 1980s has actually begun to
taper off, and some countries'
outstanding debt is actually
getting smaller.
Nowhere is the example of
shrinking bond markets more

stark than in the UK, although Australia's government securities market is shrinking in a similar, albeit less dramatic, Not only have both nations

dramatically reduced their new issue volume, they have both pledged to use their mush-rooming budget surpluses to buy up their own debt securi-ties in the open market. But the trend is underway in

other countries as well. In the Netherlands, the budget deficit has shrunk to the point that the last issue of Dutch state loans in September was intended to finance next year's deficit.

And in Switzerland, the shrinking budget deficit led the Government to call about SFr2bn worth of government bond issues in August, sending bond yields to a near-record low below four per cent.

But the trend has not been limited to the world's smaller government bond markets which are largely dependent on domestic investors.

Thanks to a much stronger than expected economy, Japan has had much better than expected tax receipts.As a result, Japan's Ministry of Finance has already begun to restrict its monthly auctions of government bonds.

According to Mr Mark Cliffe, economist at Nomura Securities, Japanese officials are considering switching to a quarterly bond auction system from the current monthly system because the size of each monthly allotment has been shrinking.

Japanese investors in particular demand liquidity in bond trading. Indeed, turnover in JGBs is greater than in any other government bond market. But now, the monthly system is yielding tranches of issues that are too small to remain liquid for long.

"The liquidity of the government bond market in Japan is actually becomming a con-cern," Mr Cliffe said. The government's funding

plans offer little comfort to plans offer little comfort to those for whom liquidity is a concern. While plans for fiscal 1988 call for the issuance of Y6,700bn in JGBs, dropping to Y4,900bn in fiscal 1989 and then to Y3,200bn in fiscal 1990. While the prospect of national debts withering away is a happy one for any government, it is posing peculiar problems for investors and underwriters.

Diminshing liquidity has become a nagging concern in Australia and a raging issue in the UK, although neither market can be hardly be said to face extinction.

"There may well be a danger to liquidity, the question is what substitute securities are there in these markets," said Mr Bunt Gosht, head of research at Credit Suisse First Boston. In the case of Australia, a nascent market in medium-term domestic corporate securities has begun to emerge, offering, if not liquidity, then certainly higher yielding investments in the same cur-

rency. But in the UK, the so-called Bulldog market - the domes-tic sterling market for UK issuers, is still dormant. There have been only a handful of bulldog issues this year, with many companies finding it cheaper to raise capital in the UK equities market or with convertible bonds.

And while Eurosterling issues were very popular ear-lier this year, they trailed off drastically after base rates were hiked to 12 per cent.

But Mr Gosht argues that these replacement markets, at least in the UK, offer little help for those investors who have traditionally sought out the pension fund managers need long-term securities to match the maturity of their liabilities, and most Eurobonds are no longer than five years, 10 years at best.

Furthermore, pension funds and other money managers are often restricted from buying all but the highest quality bonds, limiting their ability to buy

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

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3	Contracting, Construction (38) Electricals (11) Electronics (30) Mechanical Engineering (56)	1569.76	-0.1	12.45	3.87	18.47	45.10		1557.60		
4	Electricais (11)	2421.53	-0.5	8.85	4.65	13.65	76,35			2414.83	1893,84
5	Electronics (30)	1777.81	· -12	10.89	3.54	12.83 12.80	43.21				
6	Mechanical Engineering (56)	127.50	-0.5	18.40	3.89	12.83	13.34 13.89	431.45 586.65	429.84	427.55	332_17
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_ 10		1262 24	-11	3.74	431	12.14	44.87		1152.31	1346.55	
'n	CONSUMER GROUP (187)	1071 27	13	9.40	3.79	13.26	25.83		1865.14		979.21
22	Brauers and Distillers (21)	T147.29	1	11.0	3.51	12.89	23.61		1143.47	1149.40	925.46
25	Food Manufacturing (21) Food Retailing (16)	956.73	-84	9.24	3.97	13.68	22.16	962.48	957.45	955.07	781.82
26	Food Retailing (16)	3579J1	-8.1	937	3.64	14.89	43.14	1882.25	1857.63	1849.70	1986.79
27	Health and Household (12)	II 57.17		7.25	2.72	15.84	36.68	1861.64	1845.35	1838.15	1738.23
29	I alone (37)	D422 ID	- 4.5	8.38	3.62	15.29	33.98	1428.34	1420.93		1030.71
31	Packaging & Paper (17)	549.97	-44	18.21	4.88	12.18	15.75	554.46	\$47.99	546.31	458.44
32	Publishing & Printing (19)	3446.88	-0.4	8.72	-417	14.29	104.19	3461.15	3448.00	3440.39	3168.31
34	Stores (34)	746.16		11.37	4.56	11.54	21.82	746.49	733.62	725.63	816.97
35	Textiles (16)	497.26	-8.7	13.92	5.61	8.60	16.19	584.86	582.63	499.51	558.55
40		197.74	82	11.28 8.29	4.53 2.61	16.82 15.19	23.27 29.72	911.81 1866.61	965.92 1660.71	964.28 1660.51	797. 1 9 953.56
41	Agencies (19)	7867.63	-0.4. -0.5	12.27	5.67	9.77	37.94	1042.42	1841.58	1037.70	972.02
42 43	Caralanteir (12)	148 34	-34	18.35	4.42	11.86	25.26	1272.77	1249.91		1893.56
45		1951 46	-0.2	11.45	a an	11.42	59.63	1955.59	1932.70	1936.99	1664.65
47	Telephone Networks (2)	998.16	+0.2	11.77	4.71	22.85	29.38	996.84	389.24	991.85	131.57
48	Miscellaneous (25)	1219.82	-8.4	11.68	4.48	9.75	38.27	1223.48			1106.67
49		975.48	-8.3	10.34	4.89	12.00	25.28	978.30	171.42	968.62	256.36
51			+0.3	10.64	6.43	12.03	76.79	1734.M	1725.25	1700.16	1685.19
	500 SHARE INDEX (500)	1848.62	-8.2	10.36	4.41	12.61		1042.73			919.84
			-15		5.89	- 12.01	24.76	699.48		683.23	681.89
61	PANICAL HIPPY (124)	670.07	-8.7	29.55	6.36	5.48	31.13	683.51	698.81 678.31	667.74	619.19
65	Banks (8)	M7 25	- 6.6	25.00	5.60	-	39.81	95.24	952.61	933.85	879.24
66		276.42	- 33		6.85		24.84	517.14	515.50	511.76	476.64
67	Insurance (Brokers) (7)	902.92	44.4	9.45	7.12	12.95	45.66	965.65	894.49	284.43	784.45
68	Insurance (Brokers) (7)	334.68	0.5		4.42		9.20	334.47	335,78	339.29	324.21
69	Property (52)	1396.65	ś - 8.8	5.34	2.57	23.95	19.32	1318.34	1269.50	1262.21	902.76
70	Other Financial C31)	343.28	18.5	9.81	5.40	12.67	13.04	361.36	368.66	359.44	366.32
71		930.33	-83		3,28	1	18.15	#33.33	923,37	929.08	785.28
81	Mining Finance (2)	573.44	10.7	10.66	3.65	18.45	15.67	569.23	549.97	569.23	488.89
91	Overseas Traders (8)	1374.13	-0.8	8.61	4.68	13.46	44.96	1384.72	1387.70	1385.93	\$57.9 <u>7</u>
99	ALL-SHARE INDEX (710)	955.23	-42	1	4.47		27.96	957.58	950.37	945.99	834.64
		ipdex No.	Day's Charge	Day's High (a)	Day's Low (b)	Nov . 23	Nov 22	ilor: 21	Mov 1R	Kov 17	Year ass
	FT-SE 100 SHARE INSEX	2233.0		1837.7		1837.1	1821.3	1011.1	1823.4	1823.6	1660.7

	FIX	E D I	NTE	RES			, ; ;	AYERAGE GROSS REDEMPTION YIELDS	Title Nev 24	Wed Nov 23	Year ago (approx.)
	PRICE INDICES	Thu Mov 24	Day's change %	Wed Nov 23	nd edj. today	xt ad). 1988 to date	123	British Generatesh Low 5 years Coupons 15 years	7.98 9.39 9.66	9.92 9.38 8.98	9.22
1 2	British Communication 5 years					10.20 11.64	1 6	Medium 5 years	18.37 9.63 9.24 18.58	10.32 9.61 9.24 10.45	9.15
4	Over 15 years Irredeemables All stocks	170.36	-0.30	170.87	- -	13.10 13.38 11.43	.9 10	Coupons 15 years 25 years 1 years 25 years 1	9.74 9.24 8.88	9.73 9.24 8.85	9.56 9.36 8.97
7	Index-Linkat 5 years Over 5 years		+0.31	127.35	ï ,	1.81 2.96 2.85	13	Inflation rate 5% Syrs. Inflation rate 5% Over 5 yrs. Inflation rate 10% Over 5 yrs. Inflation rate 10% Over 5 yrs.	3.33 3.68 2.12 3.51	3,31 3,78 2,09 3,53	2.70 3.99 2.98 3.95
9	Detrettures & Longs	117.91	-0.02	117.92 87.11	_	10.53	15	Deks & 5 years Leans 15 years 25 years	11.31 11.05 10.78	11.31 11.05 10.78	10.66 10.62 10.62
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	Aliled Lyons	460	Jan 27	Apr 44	Jul 55	Jan 15	Apr 23	Jbl 31	Pless	Option er	200	Feb 28	May 35	Aug	Feb 6½	May 9	Aug
1	(*468)	500	10	23	36	15 41 2	45	52	(*22	ũ)	220 240	15	22	清	1 35	16	133
1	Brit. Airways (*160)	140 160	2 <u>1</u>	27 12½	17	Į ž	11	14	Prodes	tial	160 180	12		뷣	11	14	15
١	Brit. & Comm. (*238)	220 240	길	27	33	13	18 16	19 24	(*15 Rac		280	19	20		31	. 36 22	39
1	8,P.	260 240	18	20	25	30 4	10	12	(*27 R.T.)		300 420	12	20	36 25	31	36	27 39
ł	(*250)	260	7	9	<u> 15½</u>	12	20	22	(*44	,	460	48 24)第	75 50	发	33	第 第
1	Bass (*799)	750 800	57 25	77 45	102 70	10 35	18 37	22 42					1	1 -	1	30	T -
1	Cable & Wire	360 390	23	35 20	47 30	33	18 36	22 42	Vasi R	Option cels	60	Feb 14	May 16	Sep 17	Feb 2	May 41 ₂	Sep 6 12
١	Coss. Sold (*1205)	1150 1200	125 85	165 130	200 170	#8	70 95	90 105	(°\$7)	D)	i 70	61,		17	16	9 -	12
ı		1250	65	105		60 95	1 120	<u> </u>		ption		Dec.	Mar.	Jun.	Dec.	Mar.	Jun.
1	Courtaulds (*275)	260 280	22 11	20	36 26	15,5	122	15 24	Amstı (°17,	72d 3)	160 180	18 51,	26 15	32 21	3 11½	8 16	11) 21
İ	Com. Union	300	4½ 38	12 46	1B 49	1 3	9	37 12	Barci (*41	35	395	32	26	33	2	-	20
ł	(*329) 6.K.N.	330	13 30	25	31 44	312	19	24 12	Blue C	rcie	420	28	46	52	3	13 28	18
١	(°322) Grand Met.	330 454	30 12 23	38 18 31	27	14	23	<u> </u>	(°44)		1460	10	184	30	24	<u>28</u>	10
ı	<u>(*459)</u>	460			43		-	27	C14		160	14	9	13	16	18	22
J	i.C.i. (*1007)	1000 1050	47 24	38 38	93 67	23 50	72 72	50 76	<u>(°10</u>	33)	1050 1100	27 27	195	138 107	12 32	54	3
١	Jaguar (°271)	260 280	21 94	28 17	40 28	15	14 25	20 30	Hawker (*54)		500 550	瓮	77 40	85 52	15	23 23	븆
1	Land Securities (%01)	550 600	60 25 7	78 43	90 57	202	2	12	Hillison (*26)	7)	260 280	14 31 ₂	24	29 17	3 15	17	10 22
}		650	_	20	33	57	58	끊	Loori (*38	9	360 390	39 20	57	71 53	8 21	25 44	36 52
١	Marks & Spencer (*154)	140 160 180	18 55 14	24 102	27 13 72	1 2 7 1 27	31 ₂ 10 28	14	Midland (*41)	18k	390 420	28	42	48	3	10	岩
1	STC	260	21	29 18	37	6	10	12			460	14	_	끊	14 50	27 55	55
١	(°270)	280 300	11 5	111	26 19	绐	32	34	Sear (°1.3)	,	130 140	6 h 3 l ₂	1312	18 12	1312	10	1272
۱	Sainthury (°210)	200 220	16 6	24 12	28 17	13	17	23	Trasthouse (*267		250 280	15	25 15%	36 25	61 ₂	15 28	20 31
ł	Shell Traes. (*990)	950 1000	68 35	85 50 28	100 70	10 28	27 52 82	30	Thorn !	MI	650	28	50 25	70	8	18	28 58
١		1050 200	15 21		47 39	63		85	Wellco	ane -	700 420	44	-	40_	37 2	45 -	
1	Storehouse (*209)	226	12	22	28	14 25	19 29	22 34	(*45)	* *	1 460	15	l 37	1 51	1 13 1	22	27
ļ	Trafalgar Hosse (*322)	300	4%	GWB	36 20	20	냁	15		otion		Dec.	Apr.	Jul.	Dec_	Apr.	Jøl.
ı	Utd. Biscalts	330	19	30 17	36 24	16 34	19	25	Boot (*23		220 240	14	27	꿆	13	18 18	12½ 22
ł	(*297) Ultramar	330 255	8 24	17 35	24	34 17	36 24	43	—	ption		Jag	1		1	Mar.	Jm
I	(*261)	360 275	15	24	43	30	37	34	British	Č25	160	54	Mar.	Jun. 13½	Jan.	612 2212	
ı	Woolworth (*268.)	260 280	18	26 26	33 22	15 17	10 21	毙	(*16)	_	180	1	I 3	612	1 22 1	2212	2212
١	;	300 l	3 1	3 1	- 1	33	萝	1 =	RHM	ption		Jan.			Jan.		
Ī	Option		jan	Apr	Aug	Jan	Apr	Aug	(*367		360 390	20 9	1 =	1 = 1	14 35	Ξ	_
l	GEC (*176)	140 160 180	40 22 7	42 24 12	29	2	11/2	1 8		gtion		Dec.	Mar.	Jul.	Dec.	Mar.	Jøl.
ı	,	180 /	7 1	12	17	8	13	116	Beech; (*467		460 500	14	34	49	H.	18	25
l	Option		Jan	Apr	Jan	Jan	Арг	Jan	Valley	tr -	460	12	28 13	40	13	21 47	27
l	Rolls-Royce (*134)	130 140	10 41 ₂	15	18	3,5	30	13		_ '	500	2	1 13	23	46	47	50
l	TSB	100 110	13	14	16	<u>, , , , , , , , , , , , , , , , , , , </u>	-	212 612		otion		Dec.	Mar.	May	Des.	Mar.	May
ſ	(1111.)	120	12	8	10½ 6	16	1	I II,	BTR (*294	<u>) </u>	280 300	18	32 18	8%	2 ½	6 ¹ 2	9 18
l									Hanso (*153	∵.	55	14	16½ 5½	19 74	12	13	13
l	Option		Feb	Apr	Jul	Feb	Apr	Jul	Texa (*138	Ĭ	130 140	4	盟	13	13/2	5	7
ĺ	Lathroize (*455)	390 420 420	76 52 23	60 31	66	1½ 5	8	11.									
ļ	'	460 i	23 1	31 I	40 1	19	23	뀶	Esterpris	pties • Cili	500	Jan.	Mar.		Jan.	Mar.	
١	Option		Feb	May	ÁUg	Feb	May	-	\$00L & No	<u>''</u>	550	55 30	52		30 47	37 55	Ξ.
Ì	Brit Aero	420	61	70	-	54	13	Aug	(*395)	390 420 460	26 12 3	36 21 12	=	3월	器	_
1	(*464)	460 500	32 14	42 23	뜛	17 41	27 52	37 35		· '	- 400	3	l 12	1	68 1	70 1	_
l	BAA (*278)	260 280	26 12	35 21	27	4	7 15	10 18		ption		Nov.	Feb.	Hay	Nov.	Feb.	May
i	BAT inds (*444)	420 460	42 1B	50 24	60	6 24	14	19	Conv. 91 ₂ %		98 100 102	T.	34 15 16	- 1	18	113	-
l	Brit. Telecom	240	23	29	32	5 13	7	12 21	Tr. 12%	1995		<u>X</u>	5	┝╌┤	18	133	<u>-</u>
1	(*256) Cadhury Schwenner	260	44	16	20 65	9	17		(±108	יי ו	106 108 116	Ξ	J =.	[<u>-</u>	34	211	Ξ
1	Cadbury Schweppes (*356)	330 360 390	25 14	54 36 24	翌	22 40	386	23.50 50						1	. 241	-121	
1	Guinness	330	20	30	40	8 28	14	17	Option FT-SE	1650	Nov.	Dec.		eb. No	w. Dec.	Jan.	Feb.
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١	(°479)	460 500	55 35	72 53	85 63	10 22 45	22 55	40 60		1750 1800 1850	183 133 837 34 7	143 97 55 27	岩	ເລດໄປພ	18	18 30 51	冕
	P. & O. (*580.)	500 550 600	98	108	72	3	5 17	22		1900 1950	15	40 [70 42 22 10	83 52 2 30 7 15 1	18 7 40 7 72 122	뢇	15 25 38 58 68 125
ĺ		_	53 21	63 28	72 42	26	38	48	- However	2000	1 5 1		_ 1				
ļ	Pilkington (*224)	220 240	뜅	24 11	B	19	20	13 24	Novembe	T	T-SE In	mtracts Hex Ca	40,214 lls 2.13	Calls 2 2 Puts (7,617 P 184	uts 12,	597
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Static Waddington hit by | Stalking a prey that could turn aggressor dull packaging operations

PROBLEMS with packaging, the dominant division, produced disappointing interior results at John Waddington. Stripping out 2850,000 in property disposals, pre-tax profits advanced by only £100,000 to

Earnings per share increased by just five per cent to 8.68p. The interim dividend is upped to 3.4p (3.1p). Turnover amounted to 296.68m (£82.65m). Aside from more expensive raw materials, a fall in the packaging division's trading profits from £4.51m to £4.36m was ascribed to labour prob-lems on both sides of the

At the two Johnsen & Jorgansen Plastics plants in Dept-ford, south London, labour was readily available but unrelia-

But at Comet Products, Bos-ton-based plastic containers concern, a shortage of skilled labour wrecked attempts to expand production to bring new, more sophisticated, products on stream.

The \$12m (£6.5m) purchase of Cincinatti-based Hopple Plastics, also announced yes-terday, is designed to solve the problem by providing an alter-native US base for thermoform-

1983 84 85 86 87 88

ford factories has been closed and investment in a new plant in Northamptonshire is being accelerated. Costs of all three plants were borne in the first

The picture was much brighter at the business forms and specialist printing division where trading profits rose to £3.13m (£2.18m). Data Documents Europe, the second acquisition announced yester-day, will provide this division with an inroad to the Conti-

Data, purchased for £1.63m, ng production. manufactures in Belgium and distributes from the Nether-

lands. Sales in 1987 were

Games produced trading profits of £1.54m (£1.5m) on turnover of £12.12m (£13.1m). Waddington said the lower figure reflected a change in the product mix and tough competition in the Canadian market.

OMMENT

Considering it has operated in Boston for the last three years, it is hard to see how Wadding-ton's management could have been so out of touch as not to anticipate that there would not be too many of the right kind of workers around to handle its introduction of new products at Comet. However, the Hopple solution looks plausible since this company's workforce is already well-versed in what-ever it is that thermoforming, as opposed to injection moulding, of plastic requires, while the goods can still be distributed through Comet. On pre-tax profit estimates for the current year scaled down by as much as £3m to £20m, the shares are on a prospective p/e of 10.5. They are viewed as a hold - since even if the stock market stops appreciating the technological superiority of Waddington's products, other companies in the trade certainly won't.

OUND AT Grand Metropolitan's headquarters in London's West and now it's the best dairy business in Europe."

"In any turn-round," Ian

business in Europe."

"In any turn-round," Ian
Martin says, "you have to
move fast, or you start believing the local folk-lore and culture." Sheppard is pacing
again. "You have to bury your
dead very fast," he says, "and
either cure or shoot your walking wounded." End, there is frustration in the air. The group has lost its bid for Irish Distillers, despite having made the highest offer.
And in the big one – the
\$5.2bn (£2.8bn) bid for Pillsbury
of the US – GrandMet has 85 ing wounded."

per cent acceptances, but is snarled up in the US courts by Pillsbury's legal defences. Alan Sheppard, GrandMet's For reasons which are not wholly clear, Sheppard is also at pains to insist that Grand-Met itself risks being bld for as chairman, prowls restlessly up and down, his hands in his part of Pillsbury's defence.
The weekend before last, we expected the raid to come, and pockets. Ian Martin, head of GrandMet's US operations, sits with legs crossed, but with one foot jiggling incessantly. "We've sweated blood for a daily through the course of last week. Every morning at eight, I ring our brokers to see what's decade at building up our man-agement team," Sheppard says.
"It actually thrives on change. happening."
His basic contention is that

Pilisbury has been working on what is known as a Pacidan defence, whereby the prey turns round and devours the aggressor. "They've got a terribly powerful group of lawyers and bankers round them. There's no doubt that one of the defences they looked at was to buy GrandMet stock they made official filings to that effect.
"And we know that Drexel

Burnham was working on a PacMan for them. GrandMet has been hawked around by various bankers, and it looks as if the whole thing got out of control - the hell with Pills-



Alan Sheppard, GrandMet chairman: "Pillsbury has been working on what is known as a PacMan defence"

bury, GrandMet's the real break-up, that kind of thing. We specifically know they've been trying to pre-sell the bits of GrandMet round the world we've eyen got the break-up

"I don't think someone would go for a 10 per cent

stake. That would cost too much to justify the risk. Nor do I think it would be an industry hid, more of a break-up job."

He takes another turn round the room. They taught me in the Pay Corps to fight to the last man. We certainly enteen-year old take our share-holders' money away by buy-ing us on the cheep. And if the shareholders did want to sell the business cheaply, one of the counter-bidders would be

management."
It is not quite clear how satiously all this should be taken. Sheppard is a shrewd operator, and may have calculated that and may have calculated that the spectre of takeover could help his share price, which has taken rather a caning since the hid for Pillsbury was launched. And as he conceies, the furore over the RJR Nabisco buyout may work against a hid for GrandMet. "It may never happen. We all know the books on Cadbury Schweppes have been going round for four years, and no one's hid for that yet."

moone's bid for that yet."

Meanwhile, GrandMet must drum its heels until December

12 when there will be a US court hearing on both Pillsbury's defensive tactics - its poison pill share scheme, and its proposed spin-off of Burger King. The judge has under-taken to deliver his opinion on December 16.

'Pillsbury's tactics." Sheppard says, "seem to be some combination of frightening us off or going at us full frontal, or getting us fatigued so that we offer a higher price. We weren't thinking of giving in to

Whyte & Mackay bids for Muir

By James Buxton, Scottish Correspondent

WHYTE & MACKAY, the Glasgow drinks marketing company owned by Lonrho, yesterday made a recom-mended cash offer for William Muir (Bond 9), a privately-owned Scottish blending and

bottling company.

The success of the offer, the value of which is not being disclosed, would mean a major expansion by Whyte & Mackay into bottling, production and

packaging. William Muir, which has

annual turnover of about £5.5m, is Scotland's largest independent blending and bottling company. It employs 400 people at plants at Leith and Grangemouth in eastern Scotland.

It already bottles a significant portion of Whyte & Mackay's production, as well as bottling gin, rum and vodka for other manufacturers.

If the offer succeeds, William Muir will retain its separate identity and its present man-

TAJ INTERNATIONAL HOTELS

CROSS-COLLATERALISED MEDIUM-TERM LOAN FACILITIES

ARRANGER AND AGENT BANK

HILL SAMUEL BANK LIMITED

LEAD MANAGERS

HILL SAMUEL BANK LIMITED DEUTSCHE BANK AG - NATIONAL WESTMINSTER BANK PLC

MANAGER

THE MITSUBISHI BANK, LIMITED

PARTICIPANTS

BANK OF INDIA · TSB SCOTLAND PLC

agement. However, Mr Michael Lunn, managing director of Whyte & Mackay, would replace Mr Hugh Thompson as chairman of William Muir.

The board of the bottling company says the offer is in the best interests of shareholders and customers.

Whyte & Mackay, whose leading brand is Whyte & Mackay blended whisky, claims to have about 16 per cent of the UK whisky market.

Penny & Giles

Profits of Penny & Giles

International, manufacturer of electronic instrumentation, rose from £799,000 to £984,000 pre-tax for the half year ended September 30.

(5.81p).And the interim divi-

N'humbrian Water

A story in the Financial Times

of November 23 stated that Northumbrian Water Author-

ity had sold stakes it held in

two water companies because a

judicial review was set to con-sider the validity of the hold-

ings. Northumbrian has asked

us to say that the sale was entirely unconnected with

action by Nalgo which has been discontinued.

ired at 70

progress

Earnings

CORPORATION

The Canterbury Hotel The Hampshire Hotel

Ramada inn Central Washington D.C.

US\$35,000,000

dend is 1.05p (0.88p).

Glamar plummets to £30,000

That's the sort of people we've attracted - the kind of restless

people who stroll up and down

the room the whole time."
He is rejecting the suggestion that in taking on Pillsbury's Burger King business,
GrandMet might be letting

itself in for a long uphill strug-gle. "GrandMet has a track

record of turning round busi-nesses and kicking them

unstairs. A lot of us cut our

teeth on Watneys, and that took a long time, because it was a bloody mess. Express went to pieces in the early 30s,

for reasons we won't go into,

GLAMAR GROUP, hosiery the six months to September 1987 after several years of

ment yesterday. It was reported at the time of the annual results that Mr Guin-ness was giving up his postill health. The board plans to make an announcen regarding a revised board

The company said that while a downturn had been expected, unforeseen factors had affected trading during the period. It has been shifting its focus towards more fashion conscious lines to reduce the effect of lower sales in its cheaper tights. However, Glamar said that the Classics range launched during the period was not introduced into customer networks as early as

An extraordinary debit of £40,000 (£105,000) relates nainly to redundancy costs from the recent reorganisa-tion. An interim dividend of 2p has been declared, for which the board, their families and respective trustees, who control more than 75 per cent of the equity, have waived their

The company said that trad-ing in the autumn had improved slightly and several new accounts had been added.

Cambrian & General asset value falls

CAMBRIAN & GENERAL Securities, the UK investment trust which was formerly a vehicle for convicted US insider trader Mr Ivan Boesky, yesterday announced a 21 per cent reduction in net asset backing for its ordinary shares during the year to end-Septem-ber 1987, while the nav of the capital shares dropped by a third. The company is, how-ever, planning to recommence paying dividends, with 5.85p per ordinary share recom-mended for the year.

tumbled from 282.7p to 189.1p. The company says the net asset values have been calculated after making provisions against litigation and taxation. In Cambrian's accompanying report and accounts, the directors say that the orginal provision made for contingent liabilities had been reviewed, but it was decided that "at present no revision is required."

Cambrian is again required.

ordinary shares has fallen from 173.2p to 136.3p over the period, while that of the capital shares

ers, allowing them to wind up the company if they wish. As in the previous year, the board is strongly recommending that this action is not taken, given the company's complex contin-gent liabilities. In his chairman's statement,

Mr David Hobson says that the various claims against the company, filed as a result of the Securities Exchange Commission's proceedings against Mr Boesky, and the more recent civil complaint by the SEC against Drexel Burham Lambert, continued to be vizInland Revenue's attempt to challenge the computations of tax liability. Cambrian adds that it is still seeking to con-clude the settlement discussions of the class actions and the recovery of a significant part of its investment in the Boesky Limited Partnership. "I had hoped for more solid

progress to report by now," adds Mr Hobson. "But we alone are unable to determine the pace of complex litigations or of negotiations with the tax-

DIVIDENDS ANNOUNCED Corres payment payment lenhelm Exhib 9....fin - 5.61 brian & Genfin 5.85 9 6.3 6.7 6.95 6.75 3 10 1.6 2.45* 2.2 6.6 n Inti Jan 24 0.43 1.58° 3.2 Jan 11

Dividends shown pence per share net except where otherwise stated. "Equivalent after allowing for scrip issue. TOn capital increased by rights and/or acquisition issues. §USM stock. §\$Unquoted stock. \$Third market. \$25cond interim dividend in lieu of final. \$\infty\$ For eighteen-

ST. JAMES COURT HOTEL LTD.

St. James Court Hotel & Apartments

£50,000,000

at midterm

manufacturer, has seen pre-tax profits plummet to £80,000 in 23. The company, which came to the main market in July strong growth, made £514,000 in the previous first half and £1m in the full year. Turnover in the latest six

months fell 41 per cent from £2.99m to £1.77m and earnings per share were reduced to 0.4p

(6.7p).
Mr Derek Guinness, founder and chairman, has resigned.
He was not available for com-

had been expected.

Beacon spends £6m on engineering expansion

The net asset backing of the to put resolutions to sharehold-

By David Waller

BEACON GROUP, cookware clawback facility for existing manufacturer, is making its investors who can subscribe most substantial acquisitio since company doctor Mr Sandy Saunders took a 29 per cent stake in May 1987. It is also making a significant dis-

Beacon is spending 26m on the acquisition of Jessar Hold-ings — a West Midlands-based group of engineering compa-nies which makes precision components in ferrous and non-ferrous metals and also thermoplastic and thermoset mouldings. At the same time, Beacon is selling its housew-ears division for a net £3.8m. The cash for the acquisition is to be raised by a vendor pla-cing of 13.95m new Beacon shares, which will increase the

company's equity by approxi-

mately 50 per cent. The shares have been conditionally placed with institutional investors; there is a

price of 43p a share, on the basis of two new shares for every five ordinary shares and five new shares for every four convertibles. The issue is being supported by the forecast that Beacon will pay a dividend of 1.5p for 1988.

Last year, Jessar increased pre-tax profits from £300,000 to £1.25m on turnover of more than £8m. The businesses being sold by Beacon accounted for £11.5m of its £15.5m turnover last year, but did no more than break even in that period.

Beacon itself recently reported pre-tax profits of £402,000 for the half year to July 2, a sharp turnround from losses of 2494,000 in the comparable period last year. Beacon shares fell 3p yester-

day to 45p.

BOARD MEETINGS

The tollowing companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually test for the purpose of considering dividence. Official indications are not swellable as to whether the dividence are interime of finals and the subdividence attorn before are based mainly on less terms the meetings.

Cityvision forecasts £5m after accounting change By Philip Coggan CITYVISION, a USM quoted Mr Norris said he was confi-

50 per cent via a change in its

accounting policies.

News of the policy change, which has been approved by auditors Stoy Hayward, accompanied the announcement of Cityvision's second rights issue in just over a year. The group is raising £8.2m via a one-fur-five issue of convertible preference shares in order to finance the expansion of its retail net-

The accounting change concens the length of time over which the group's video tape library is depreciated. Previously, tapes had been depreciated over a period of 15 months. However Mr Terry Norris, managing director, said that while the group had formed that while the group had found 35 per cent of its tapes had been fully depreciated, many of them were still earning money. After investigation, the group discovered that it in fact took 30 months for tapes to lose their value; Cityvision has changed the depreciation period accordingly. The effect will be to increase this year's

pre-tax profits from £3.2m to a

video retail group, is boosting dent that video hire was a recent report which showed that individuals were renting fewer films, on average, than

in previous years. He said that the same report predicted that the percentage of individuals owning video recorders would increase from 55 per cent to 80 per cent. This would allow the overall UK video rental market to grow from its current \$450m turn-

The rights issue will enable the group to accelerate its store opening programme. Cityvision currently has 164 stores and Mr David Quayle, the chairman, said its sights Were set on 1.000

McCaughan Dyson Capel Cure is underwriting the issue of 8.53m convertible preference shares which will carry a coupon of 8.5 per cent and will be convertible, between 1990 and 2003, at an effective price of 130p. Cityvision's rights issue last year was sabotaged by the stock market crash and achieved only a 0.29 per cent

take up. The group's shares closed unchanged at 110p yesterday.

McLeod new offer gets backing of Granyte board

MCLEOD RUSSEL, former plantations company which is turning itself into an industrial holdings company, yesterday increased its offer for Granyte Surface Coatings to £18.2m and won the approval of the Gran-

McLeod also reported pre-tax profits of £10.17m for the 18 month-period to the end of September, down from £11.09m in the year to the end of March 1987. The fall reflects a dra-matic drop in tea and coffee prices, as well as the changing complexion of the group. (The accounting period was changed following McLeod's merger with Kennedy Smale last year.)

McLeod has increased its offer for Granyte from 120p to 130p a share in cash, valuing the target company – a manu-facturer of wood finishers and industrial paints quoted on the Unlisted Securities Market -

This represents a near 70 per cent premium to Granyte's share price before McLeod started building a stake a fortnight ago, and values the company at 17.2 times historical earnings. There will be a loan note alternative to the cash The sale of plantations in

India and elsewhere deprived McLeod of a profit contribution from this source. The Kenyan plantations, which have been retained, produced attributable profits down sharply from £3.48m to £963,000, as a result of depressed commodity prices. The disposal of plantations gave rise to a £12.1m extraordinary profit and helped improve the company's balance sheet, which now holds £20m net

About 83 per cent of group profits now come from the UK as opposed to 36 per cent in the prior year. Kennedy Wagstaff, textile machinery distributor, improved its contribution from £803,000 to £1.03m.

The surface coatings division increased its profit from £1.54m to £3.78m for the full 18 months: annualised, the increase would have been more modest, taking profits to about

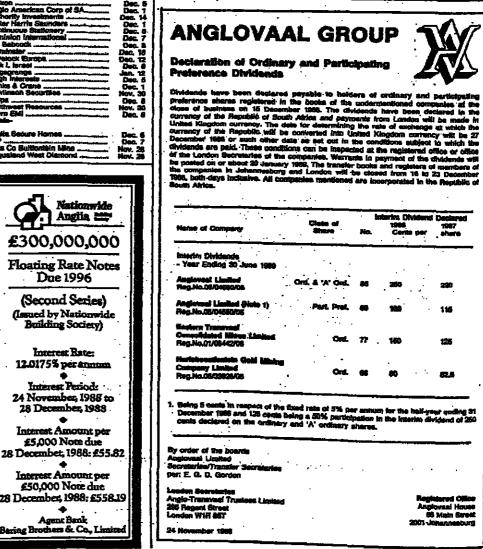
(£39.48m) whilst earnings per share increased from 14.07p to 14.5p. A final dividend of 2.25p per share will take the payout for the 18-month period to 6.75p

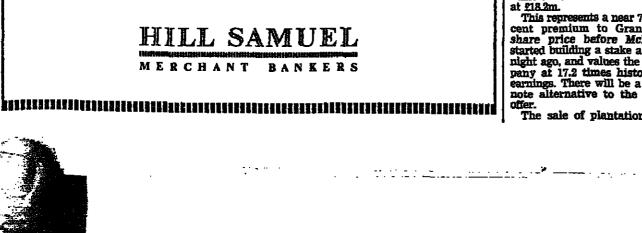
Group turnover was £55.22m

(4.5p).
McLeod's shares closed unchanged at 115p, whilst Granyte added 8p to close at



Gr	qualend West Diamond
	Nationwide Anglia
	£300,000,000
	Floating Rate Notes Due 1996
	(Second Series) (Issued by Nationwide Building Society)
	Interest Rate: 12.0175% per atmum
	Interest Period: 24 November, 1988 to 28 December, 1988
	Interest Amount per £5,000 Note due 28 Decembet, 1988: £55.82
	Interest Amount per





UK COMPANY NEWS

Bond defends purchase of Lonrho stake in US

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7.00

MR ALAN Bond, Australian defended the purchase of a large part of his company's 21.5 per cent holding in Lonrho, the international conglomerate, through the New York arm of London stock broker Smith

New Court.

Mr. Bond said in Perth that he had acted legally and complied with all UK disclosure regulations in purchasing the 9 per cent stake and settlement for the deal would be made on

middle man between Smith New Court and Bond Corpora-tion:

Mr Bond made the comment in reply to a report on RBC television news on Wednesday about the purchase of the 48m

The television report came self-regulatory group, denied amid growing speculation that that it had made more than Bond Corporation might be

preparing to make a bid for Lourho on the back of its holding and accompanied growing animosity within both camps.

Mr Paul Spicer, a Lourho director, said Mr Bond had exploited a "loop hole" by purchasing the shares in New York and did not doubt the legality of the transaction. legality of the transaction.
"It is interesting because he

(Mr Bond) could not have done this in Great Britain. But being done in New York he appears for the deal would be made on December 1.

The transaction is believed to have taken place on or around October 18, with a New York merchant bank acting as middle man between Smith New Court said the transaction was done in the normal course of business. "It was a was a large trade, but we have done larger. It was the court of thing were the court of the court of thing were the court of the court of thing were the court of It was the sort of thing we have done for many years and we would consider it a normal part of business for our New York office," he said. The Securities Association, the London Stock Exchange's

A spokeswoman said the association had been kept fully informed and Smith New Court had fulfilled all reporting requirements.

the capital position of Smith New Court in a routine fashion and are fully aware of the situation and don't see any prob-lems," the spokeswoman said.

Lord Young, Secretary of State for Trade and Industry, is deliberating on whether a gov-ernment-commissioned report into events surrounding the £615m takeover of the House of Fraser by the Al Fayed brothers should be referred to the Monopolies and Mergers

commission.
The DTI refused to comment yesterday on when Lord Young would reach a decision on a referral. On Tuesday, he received a recommendation from Sir Gordon Borrie, Director General of Fair Trading, although details have not been

Juicy expansion

for RHM By Nikki Tait

RANKS HOVIS McDougall, British bakeries and food group, yesterday announced that it was buying the fruit juice business of Adams Foods for £10.5m cash.

This is the first acquisition made by RHM since the recent aumouncement of the highlyimovative accounting change, by which it will take a value for its brands into its 1988 bal-ance sheet. RHM yesterday said that it

did not yet know what the "brand valuation" on the new fruit juice businesses would be - they take in the Just Juice hrand name — but expected that the purchase price would still include some goodwill.

The fruit juice businesses are based at Leek, Stafford-

are based at Leek, Staffordshire, and are estimated to
make pre-tax profits of about
£1m in the year to end-1988.
RHM said the deal will make it
the second largest juice producer in the UK. It already
takes in the De L'Ora brand,
when welcome label wordprets plus private label products.

Ridley gives green light to water tie-ups

MR NICHOLAS Ridley, the Environment Secretary, yesterday said that after privatisation the 10 water authorities decided whether to retain a golden share or to deter forcing with its expectations, it added.

The Bill, which should allow the privatised groups by limiting share. would be allowed to bid for the 29 statutory water companies which work alongside them.

Launching the bill to privatise the authorities, Mr Ridley set the authorines, Mr kinley said buying and selling of companies was a feature of the private sector. The only factors limiting investment by or in the privatised authorities would be monopoly and competition considerations, or any investment restrictions imposed by the Government.

However, he stressed that the Government had not yet

However, Eastbourne said it had not received a bid

approach from SAUR Water Services, a UK subsidiary of Bouygues, the French con-struction and service group. SAUR launched recommended offers for three water compa-nies, including Eastbourne's neighbours Mid-Sussex and

holdings. A recent flurry of

bids from French water suppli-ers has prompted concern in

some quarters about possible

foreign investment in the authorities after privatisation.

The Water Companies Association, which represents the

28 quoted water companies, said it was not unduly con-cerned about French involve-ment, although it is challeng-

ing the legality of existing

water authority investments in the companies.

West Kent, on Wednesday. Mr Geoffrey Hoskins, Eastbourne's managing director, said: "We wouldn't shut the door in the face of any deal we thought would be beneficial to our customers and stockhold-

ers."
A link with Eastbourne

for flotation of the authorities within about 12 months, proposes to:
• remove the constitutional

ink between the authorities and the companies, which supply water on behalf of the public groups;

allow statutory companies

to convert to plc status with stockholders' approval, at the same time as the authorides are privatised;

license the companies, like the authorities, to supply

Southern Water Authority holds a 29.8 per cent stake in

the company.

In bidding for Mid-Sussex and West Kent, in which Southern also holds substantial which Southern also holds substantial which Southern also holds substantial which so that the southern so

 impose the same regulatory framework on the companies. The Bill states that holders of more than 75 per cent of a statutory company's stock would have to approve conver-sion to plc status. Opposing stockholders who could muster 15 per cent would be able to appeal to the High Court

against conversion.

One effect of the shake-up in the industry would be to allow the water companies — freed of statutes which control divi-dends and the distribution of surpluses to stockholders - to expand into activities outside water supply including sewerage and sewage disposal

Provisions for water compa-Eastbourne does not rule out agreed offer

Eastbourne Waterworks Company, one of the UK's 29 statutory water companies, said yesterday it would not rule out the possibility of an agreed offer from any of the major players in the turbulent private water sector, writes Andrew Hill.

sial stake-building – will force the authority to sell its shares, or that Mr Duncan Saville, an Australian businessman who

southern and holds startly gambled on the possibility that the courts — which are set to review Southern's controver-

would be a logical next step for SAUR, given that it is close to SAUR's other targets and Southern Water Authority

companies will be persuaded to sell his shares.

General Utilities, the UK subsidiary of French water supplier Compagnie Generale des Eaux, has declared its rec-ommended offer for North Surrey Water Company unconditional. Stock representing about 53 per cent of North Surrey's voting capital has been committed to General Utilities' £15.6m offer, which will lapse if it is referred to the Monopolies and Mergers Commission before next Tuesday.

Court finds in B&C's favour over Quadrex deal

BRITISH

COMMONWEALTH Holdings sale contract, that Quadrex had been given reasonable judgment on its claim for around £100m damages over and that it had failed to do so. around £100m damages over the breakdown early this year of its proposed sale of two money-broking business to Quadrex Holdings, a New York company, for £280m.

Yesterday in the High Court, Mr Justice Hirst ruled that B&C was entitled to summary judgment, without the dispute going to full trial, because Quadrex had no arguable defence to B&C's unanswerable breach of contract claim: The amount of damages

Quadrex will have to pay under the judgment will be assessed later. The matter had been heard by the judge in private but he gave his judgment in open court "since the outcome of the

case may affect the market

value of public companies, and

the sale never led the best th

Quadrex may appeal.

The proposed sale was of M.
W. Marshall, the world's second. largest money broker; and William Street Holdings, US government securities broker.

in September, Quadrex, US parent of a London securities firm headed by Mr Gary Klesch, amounced that it was suing Marshall and William Street and their top executives alleging that they had been "instrumental in obstructing or frustrating" Quadrex's acquisition of the two compa-nies from B&C.

Mr Justice Hirst said that in : July last year B&C made an agreed offer to buy Mercantile House Holdings, announcing its intention to sell Mercantile's wholesale broking divi-

Approximately the state of the

for Mercantile but withdrew when B&C and Mercantile announced an agreed revised

There followed "hectic, nonstop negotiations" resulting in an agreement for Quadrex to buy Marshall and William Street from B&C.

The dispute, the judge said, centred on "Quadrex's undoubted inability to complete the agreement" due to the refusal of Citibank to fulfill its commitment to Condens to its commitment to Quadrex to fund the purchase, on the ground that Quadrex had failed to comply with all the conditions of the loan agree-

they refused.

The judge said that Quad-

raince the issues at stake are of importance."

The core of the judge's decision was his finding that time swindsale proking division—consisting of Marshall and William Street.

In August, 1987, Quadrex announced it would make a bid.

way for a management buy-out to their own benefit." That matter was the subject

of pending legal proceedings between those directors and Quadrex, the judge said. He added that although no

fixed completion date had been put in the contract, the inclusion of the words "as soon as reasonably practicable" with reference to obligations to be performed under it, pointed strongly to time being of the That view was reinforced by the fact that the sale was of a business in the financial ser-

vices sector "of a kind which is One of the conditions required the co-operation of Marshall's directors, which prone to rapid and significant fluctuations of activity, profitability and value." Quadrex contended that B&C's notice to complete on

February 28 this year, given on January 25, had been unrea-sonable because B&C had known that Quadrex was rex's evidence suggested that Mr Michael Knowles, Marshall chairman, and other directors of Marshall and of William unable to get the finance from Citibank because of Marshall's Street, were being "deliber-ately and unjustifiably obstructive and self-serving in order to refusal to sign statutory decla-

frustrate Quadrex and pave the rations Citibank required as a condition of the loan. B&C argued that the method Quadrex chose to finance the purchase had been entirely its own responsibility. Quadrex had entered into the agreement

without having first secured the backing of any binding financial arrangements to fund the purchase. That argument, the judge said, was unanswerable. It was a fundamental principle that it was for the buyer to arrange his finance so as to be able to fulfil the contract. If the

arrangements he chose to make proved inadequate for that purpose he would be in breach of contract and must bear the responsibility for the breach, whether or not his difficulties were known to the vendor. "Any other rule would result

in commercial chaos, particularly in a world where nowa-days purchases of businesses, frequently on a very large scale, are regularly financed by bank borrowings."

> 1987 published £m 1,305.7 120.1 (38.6)81.5 (5) 81.0 0.087.0 (28.6)58.4

DEFENCE

The Financial Times proposes to publish a Survey on the above on

12th December 1988

For a full editorial synopsis and advertisement details, please contact:

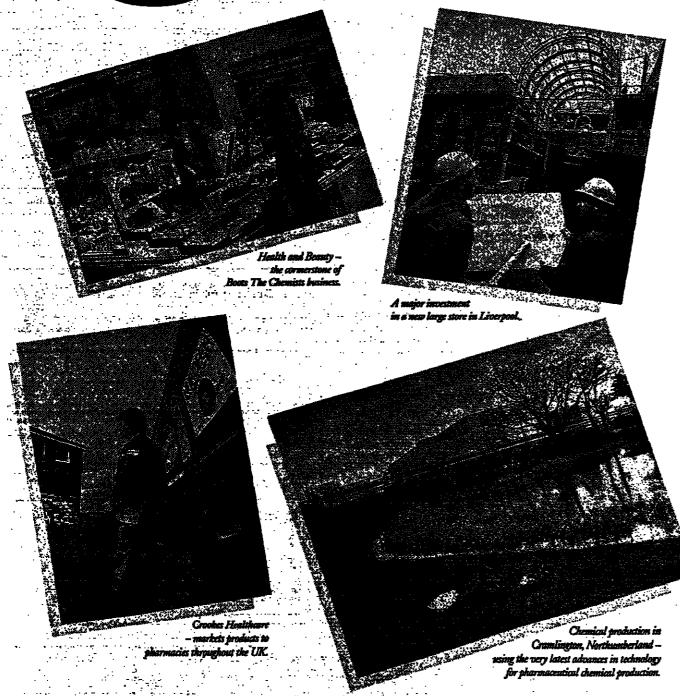
Stephen Dunbar-Johnson

on 01-248-8000 ext 4148 or write to him at:

Bracken House, 10 Cannon Street London EC4P 4BY.

FINANCIAL TIMES

STRONG GROWTH IN EARNINGS PER SHARE



Retail Division Synthroid, in US company, growth in value and units, but price

• Industrial division underlying growth 6.6% in sales and 4.2%

competition depressed sales of ibuprofen. Sales and profit growth in overseas countries.

 Research and development expenditure continues to increase particularly on Manoplex clinical trials,

Retail division underlying profit improvement 38.4%.

•		_ ,,	
	1988 £m	1987 comparable £m	% Increase
TURNOVER (excluding VAT)	1,262.4	1,198.4	+ 5.3
PROFIT BEFORE TAXATION Taxation	132.4 (41.9)	110.5 (36.4)	+ 19.8
Profit efter taxation Minority interests	90.5 (.4)	74.1 (.4)	+ 22.1
Extraordinary profit after taxation	90.1 2.7	73.7 6.0	
Profit attributable to shareholders Dividends	92.8 (32.4)	79.7 (28.6)	+ 16.4
Profit retained	60.4	51.1	
Earnings per share	9.8 _p	q0.8	+ 22.5

Group Profit and Loss Account for the half year ended 30th September 1988 (upandited)

Profit 255.3 **57.8** 1,068.5 66.0 1,004.4 7.4 5.8 (61.4)8.3 3.9 1,262.4 132,4 110.5 1,198.4

1987

Boots The Chemists sales rise of 6% including 3.7% real

 Improvements in operating efficiency, use of space, increased margins and better inventory mix.

Boots Opticians sales rise of 27.7%.

Profits increase of 72.7% Childrens World in line with expectations with 13 stores now

Prospects for the remainder of the year encouraging.



SPONSORED SECURITIES

wities designated (SE) and (USM) are dealt in subject to the rules and regulations of The

CONTRACTS & TENDERS

HONG KONG GOVERNMENT

Environmental Protection Department

Control of Gas at Sai Tso Wan Landfill

Notice of Prequalification of Tenderers

It is proposed that tenders will be invited in March 1989 from prequalified contractors for the provision of a plant for the abstraction and disposal of gas from a completed landfill site.

The contract includes the detailed design, procurement and supply of equipment, and installation, commissioning and handover operation of a landfill gas abstraction plant at the Sai Tso Wan landfill site.

operation of landfill gas emission and migration control equipment are invited to apply for the prequalification document to:

Completed prequalification submissions shall be submitted as directed in the document not later than 12:00 noon on

loint ventures with other firms will be allowed

Contractors with specialized experience in the design, installation and

ERL (Asia) Limited, Suite 1811, Star House, 3, Salisbury Road,

Kowloon, Hong Kong

Government reserves the right to reject any contractor's application at its discretion and without explanation.

AFRICAN AND EUROPEAN INVESTMENT

COMPANY LIMITED

NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS TO BEARER PAYMENT OF COUPON NO. 82

With reference to the declaration of dividend announced on 1/10 revenues the following information is published for the guidance of holders of stock warrants to bearer.

The dividend of 3 cents per unit of stock was declared in South African currency. South African non-resident shareholders' (as at 0.45 cents per unit of stock will be deducted from the dividend payable in respect of all stock warrant coupons beaving a little of 3.55 cents per unit of stock.

net dividend of 2.55 cents per unit of stock.

The dividend on hears? stock will be paid on or after 15th February 1989 against surrender of coupon No. 82 detached from the stock warrants to bearer as under;

(a) At the office of the following continental paying agent
Credit du Nord
6 - 8 Boulevard Haussmann
75000 Paris
In respect of coupons lodged at the office of the continental paying agent the
dividend payment will be made in South African currency to an authorised
dealer in exchange in the Republic of South African commissed by the continental
paying agent. Instructions regarding disposal of the proceeds of the payment so
made must be given to such authorised dealer by the continental paying agent
concerned.

concerned

(b) At the Securities Department of Hill Samuel & Co Limited, 45 Beech Street, London EC2P 21.X. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons ledged on or prior to 8th February 1989 at the United Kingdom currency equivalent of the rand currency value of their dividend on National December 1989.

Kingdom currency equivalent of the rand currency value of their divided on 12th December 1988, or ful in respect of cuspons lodged after 8th February 1989 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer m exchange in Johannesburg to the Securities Department of Hill Samuel & Co-Limited.

Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Suturday excepted) between the hours of 10 am and 3 p.m. United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Indand Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 2.25 cents per unit stock in terms of sub-paragraph (b) above arrived at as follows:

Telephone 3-723 5983 or 3-724 1148 Facsimile 3-722 6192

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 Armitage and Rhodes
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 Bell Design group (USM)
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 Bardon Group
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114 100 Brennill Core Pret 110
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154 127 Carbo Ptc (SE) 152 wl
13 100 Carbo 7.5% Pref (SE) 113
353 147 George Bizir 353
118 60 Isis Group 118
118 87 Jackson Group (SE) 112
267 245 Multihouse NV (AmstSE) 275

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103 Bray Techn

Granville & Co. Limited. 8 Lovat Lane, London EC3R 88P Telephone 01-021 1212

UK COMPANY NEWS

Guinness Mahon bounces to £4.9m Dawsongroup for

By David Lascelles, Banking Editor

GUINNESS MAHON Holdings banking and financial services group demerged from the Guinness Peat Group with effect from June 3, achieved post-tax profits of £4.92m for the year to September 30 1988.

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5.5 5.9 1.6 29.6 5.8 -5.0 8.4 10.0 -4.3 4.3 8.6 4.0 13.2

15.5 29 12.4

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3 Lover Lane, London ECJR SEP Telephone 01-621 1212 Member of the Stock Exchange & TSA

This compared with a loss of £3.49m in the previous year when it formed part of GPG. The result included an extraordinary cost of £300,000 related to the demerger. The company announced a maiden dividend

Mr Geoffrey Bell, chairman, said the group had undergone substantial reorganisation, including a 12 per cent reduc-tion in staff. But he said it had

BLENHEIM Exhibitions, a

USM-quoted trade exhibition

and conference organiser, yes-terday reported almost trebled profits for the year to August

31, 1988. The pre-tax advance from £1.43m to £4.08m was made on sales of £13.19m, up

from £4.55m last year. Earnings per share doubled to 25.1p (12.2p) and the direc-

tors have recommended a final

dividend of 5.6p, making a total for the year of 8p (4p). Blenheim has grown rapidly since it joined the USM just

two years ago. Always highly

acquisitive it made eight pur-chases in the past year includ-ing major moves into France

and Germany, and is now the

largest trade exhibition and conference organiser in

Europe In 1986 Blenheim organised

27 exhibitions. In the past year the total was 107 exhibitions

and conferences in 17 sectors

and in four countries. The most profitable events were in

the fields of information tech-

nology, giftware, food, and

The first step into Europe was the acquisition this July of

CONCENTRATION ON higher margin products by its main

operating company helped

Unilock Holdings, screen and

partition manufacturer, show a 20 per cent increase in interim

LEGAL NOTICES

INTERNATIONAL WESTMINSTER

To make provision for the vesting in the Bank of the undertaking of intermational Westminster Bank PLC (hereinafter referred to as "WB") and so for the fusion of the undertakings of the two banks.

To provide for the continuance in force of contracts, deeds, indemnities, instruc-tions, undertakings and other instruments and for the transfer from RVB of custom-ers' accounts, securities for payment of debts and liabilities and the custody of documents, goods or other property.

to provide for the continuance of actions to which IWB has been a party; that docu-ments shall continue to be evidence and that the Bankers' Book Evidence Act 1879

4. To make provision for the continuing offect of contracts of employment and pensions of persons employed by flwB and whereby enscriments and documents referring to IWB shall have effect as refer-ring to the Bank and to make provision to application of the Intended Act to Scotland and Northern Ireland.

On and after the 2nd day of December 1988 a printed copy of the Sill may be inspected and copies thereof obtained at the price of 80p for each copy at the respective offices of the undermonisoned Solicitors and Partiamentary Agents. Messars. Dundes & Wilson C.S.. Solicitors. 25 Charlotte Souare, Edinburgh, 512 452 and at Messars. L'Estrange & Brott, Solicitors. at Lindsay House, 10 Cellemder Street, Bertsat STT SRN (otherwise of 7 and 9 Chichester Street, Beltsat), Northern Ireland.

Objection to the Bill may be made by depositing a Petition against it in either or both Houses of Parliament. The latest date for the deposit of such a Parlian in the First House will be 8th February, 1999, if the Bill originates in the House of Lords, or 30th January, 1999, if it originates in the House of Commons. Further Information may be obtained from the Ofice of the Clerk of the Parliaments, the Private Bill Office of the House of Commons or the undermeationed Parliamentary Agents.

TRAVERS SMITH BRAITHWAITE 6 Snow Hill, London, ECIA 2AL Solicitors

ART GALLERIES

LEGER. 13. Old Bond Street, 01-629 3536. Annual Watercolour Exhibition and 'Row-ers from a Scottish Garden' by Exzebeth Cameron. Mon.-Frl. 9.50-6.30.

CLUBS

Eve

m.s. ut-85 2107. An Exhibition of Two tish Colourists, Pepice and Cadell, 24 -16 Dec. Mon-Fri 10em-69m.

DYSON, BELL & CO., 15 Great College Street, Wester London, SWIP 3RX Parliamentary Agents.

IN PARLIAMENT

SESSION 1988-89

business services.

increased profitability in a dif-ficult trading environment, and had created the base for continued strength.

The bulk of profits, £3m, was earned on the banking side, where Guinness Mahon engages in advisory work, lending and treasury operations. The operation has refocused its strategy and rede-ployed its capital more effec-tively. New computer systems have also been installed.

Non-banking operations made £2.2m, of which £2m came from securities trading and £200,000 from asset management. Henderson Crosth-waite, the stockbroking subsid-

Acquisitive Blenheim tops £4m

based conference organiser and publisher operating in elec-tronic data interchange (ETI), that is, computers talking to

computers. Blenheim already

organises the premier ETI event in the UK.

The French acquisitions

were Padco and Bernard

Becker Communication. Mr Patrick Lecetre and Mr Ber-

nard Becker, the founders of both companies, have joined the Blenheim board and Mr

Lecetre is now Blenheim's sec-

Since the year end the group has acquired Heckmann, a Ger-

man exhibition and trade fair organiser established in 1926, which has eight highly

"Our strategy is to create,

very quickly, a European net-work," said Mr Neville Buch,

executive chairman. "To replicate, in Europe, the events held in the UK."

To cater for the group's

rapid expansion, a new man-

agement structure has been set in place. In each country the

Higher margin products lift Unilock

was the acquisition this July of Euromatica SA, a Brusselsgrouped under a single sub-

ond largest shareholder.

iary which lost about fim last year, contributed to the result. Mr Bell said he was "most proud" of the fact that the group had not lost any staff at director level despite the upheavals it had undergone

with 61.7 per cent of the equity. Mr Bell said that despite frequent market rumours, Equiti-corp had not asked him to recommend a buyer for its stake. "I don't think they are in any rush to sell. They realise they

have a very valuable asset here," he said.

holding company whose board reports directly to the main

Blenheim is run by a group of

people who know their business and where they want to go. And it is clearly not a one

man band. Its expansion in

terms of sector and geographi-

cal spread is impressive, and, equally important, it has got

the management in place down

the line to run the acquisi-

tions. Exhibition organising, as

Neville Buch says, is a beautifully simple business, there are no stock or cash flow problems, clients pay 50 per cent upfront and the full balance

even if they cancel. Despite not having the trade publication

links its UK competitors EMAP

and Reed have, Blenheim does

have the knock of consistently

getting the audiences. In addition, it is a price follower, giving it scope for increases. The shares closed 10p down at 690p

last night. Analysts are looking

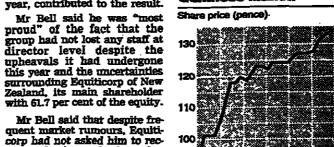
for pre-tax profits in the region

of £3m this year, putting the shares on a prospective p/e of about 19, high enough for the

time being.

• COMMENT

Guinness Mahon



Chancery rises 65% to £3.06m

By David Lascelles. Banking Editor

CHANCERY, merchant banking and financial services group, earned £3.06m before tax in the six months to September 30, a 65 per cent increase on the \$1.85m previonsly. The interim divides being raised by 39 per cent from 1.8p to 2.5p. The banking division is

The banking division is diversifying its loan portofolio to reduce the share of property lending. The stockbroking division remains highly profitable despite poor market conditions thanks to a strong private client business and tight cost controls.

Mr Harvey Cohen, chairman of the USM-quoted company, said more acquisitions were being considered as logical additions to the existing business. "The mood is expan ary," he said.

Erostin to pay £6m for Food Converters

Erostin Group, a commercial and residential property developer, has agreed to acquire Food Converters for £6m in

verters at Staverton in Wil-tshire will be developed as a joint venture by Erostin and

Charles Church Developments. Planning permission has been granted for the first phase of a development com-prising a 50-bedroom hotel, two marinas and 140 houses.

main market with £55m value

By Philip Coggan

MR PETER DAWSON and family trusts will raise around gll.3m from the flotation of Dawsongroup, truck rental and contract hire company, on the main market.

The Dawson family will receive the vast bulk of the proceeds from the placing which will value the group at 54.7m. After the float, Mr Dawson, chairman and chief executive, will own around 75 per cent of the equity.

The Dawson family has been at the chief of the country of the equity.

involved with trucks since 1935 when Mr Dawson's father founded a road haulage busi-ness. The road haulage diviness. The road hands devi-sion was sold in 1982 and the company has concentrated on truck rental, sale and hire. It is now the largest UK distributor of Volvo trucks.

Profits have grown strongly and steadily in recent years from £1.06m in 1983 to £4.24m last year on turnover of £35.8m. For 1988, pre-tax profits are forecast at not less than £5.9m.

The group has three divisions - Dawsonrentals, rental and contract hire business; Dawsonfreight Commercials, truck sales and servicing busi-

three-quarters of the Commercials division's increase in in the first half of this year, intragroup trading produced more than 100 per cent of the Commercials division's turn-

ness; and Dawsoncar, Renault

car and light commercial

Intragroup trading, which primarily consists of sales of trucks to the rentals division

by the Commercials division, has increased substantially in

the last two years. Such trad-ing was responsible for around

vehicle sale business.

over increase, since sales to outside parties fell. However, Dawsongroup said the downturn was caused by a shortage of vehicles in the first two months of the year and by industrial stoppeges in Sweden and Scotland.

The company is confident that sales to outside customers will increase in the second half. Sales between the Commercials division and the rent-als division are conducted on an arms length basis.

James Capel is placing 8.88m

shares, 25 per cent of the equity, at 155p each. The pro-spective p/e will be 11.6 at the placing price.

Century Oils drops 17% but better trend seen

CENTURY OILS Group, manufacturer of inbricants and allied products, saw pre-tax profits fall 17 per cent from £2.85m to £2.36m in the six months to September 30. Turnover fell from £45.67m to

646.14m. Mr Charles Mitchell, chairman, said the erosion of profit margins in the US and Europe last year had continued into the first half for longer than expected. However, the US subsidiaries had returned to profitability and in the UK some important profit margins had been achieved. A recovery in trading was expected in the second half.

The interim dividend is held at 1.75p on earnings per share of 5.15p (6.5p).

Scantronic Holdings up 54% to £1.43m midway

Scantronic Holdings, electronic After operating costs of £9.82m data communication equipment group, lifted taxable profing level rose to £1.61m data communication equip-ment group, lifted taxable profits 54 per cent to £1.43m in the six months to September 30

(£1.02m). Tax took £500,000 (£325,000),

The improvement was of 3.25p, up from 2.55p last posted on turnover shead 62 time. The interim dividend is per cent to £11.43m (£7.04m). raised 0.12p to 0.55p.

Fuel for an unusual institution aiming to diversify David Lascelles looks at Secure Trust, a budgeting service seeking a full listing

NOTICE is hereby given that application is being made by Netional Westurinster Bank? PLG (hereinsiter referred to as "the Bank") to Parliament for leave to introduce in the present Session a Bill (hereinsiter referred to as "the Bill") under the above short title for purposes of which the following is a concise summary: INANCIAL institutions come in many forms - but few in the form of Secure Trust Group, a Birmingham-based banking com-pany which will be seeking a full Stock Exchange listing

next month. Officially, Secure Trust is in the business of home money management, though few peo-ple would know instantly what that means. Simply put, it is a service to help people save and pay their regular household bills: mortgage, telephone,

insurance and so on.

Most households subscribe to the service by paying a small regular amount of money, and then leave Secure Trust to handle the paperwork and payments. Most of this money is collected weekly, in cash, by a small army of 700 agents who tour neighbournoods on Saturday mornings.

Giro.

If it all sounds a bit like

into Secure Trust, the more it appears to be an unusual varia-tion on the standard banking and budgeting business. Secure Trust, and its bank-

when a Birmingham estate agent began providing a service to belp homeowners meet their mortgage and rates pay-ments. Today, the company claims to be by far the largest in the budgeting market, with some 44,000 subscribers to the main service, plus another 10,000 customers using other services which have been added, like insurance broking.

The key to the business, Mr Angest says, is meticulous organisation to arrange the payment of bills and avoid defaults. The operation is highly computerised: the com-pany has a large IBM machine, with space to wheel in additional capacity in an emer-gency. The software is all its

19/20 NEW CONCORDIA WHARF MILL STREET LONDON SEI 2BB TELEPHONE 01-237 3145/6

Although Secure Trust charges £1.50 a week for the service, it derives a good part of its income from the enormous float of money accumulated from the more than film collected each Saturday. On average, the company holds about flom, which at today's interest rates yields a good film a year. More income also comes from making loans of up to £2,000 to customers and passing other services through the system such as insurance, travel services and special pro-

The main business accounts for 58 per cent of turnover, with insurance broking amounting to 26 per cent, lending 6 per cent and travel 10 per cent. Last year the company made pre-tax profits of \$2.3m. In the first nine months of this year it earned £2.1m.

the service, and their bills returned to them unpaid.

According to Mr Angest, growth has historically been between 10 and 20 per cent annually. The company has been adding between 1,500 and 3,000 subscribers a year, and sees scope for expansion both geographically (at present it is concentrated in the Midlands) and by diversifying the scope

of its services.

Mr Angest believes scope for diversification is particularly large in banking. Secure Homes has a loan book of only £1.8m, yet virtually all its customers are homeowners, and therefore good credit risks. Although the majority belong to the lower socio-economic groupings, a number of profes-sional people have signed up, such as doctors.

There is also scope for reduc-ing costs by gradually transfer-ring subscribers to automated forms of payment through the banking system. Monthly rather than weekly payments

Income Share

Capital Share

would streamline the operation further, though Mr Angest says the company is in no hurry to phase-out the collectors who provide the personal contact on which Secure Trust depends for much of its business, both to gather in the money and to deliver new types of services.

Mr Angest, who formerly worked for Arbuthnots, mer-

chant bank, led a buy-out of Secure Trust two years ago with the backing of several venture capital groups.

The listing will include the issue of new shares to raise about £9.5m. (None of the existing shareholders are selling shares; some members of management will subscribe for new shares). This will repay borrowings of £6m, and provide additional working capital. The listing will also enable Secure Trust to make acquisitions using its own paper; an insur-ance broker is a possibility.

FACTORING

The Financial Times proposes to publish this survey on:

27th January 1989

For a full editorial synopsis and advertisement details, please Tim Davis

> on 01-248 8000 ext 4181 or write to him at:

Bracken House 10 Cannon Street London ECAP 4BY

FINANCIAL TIMES

FULCRUM INVESTMENT TRUST P.L.C.

Preliminary results (subject to audit)

Year ended 31.10.87 Year ended 31.10.88 Net Revenue before tax £311,283 £292,090 Dividends per Income share 6.95p 6.30p Net Assets per Valuation 23,953,427 £3,898,637 Net Asset value per;

41.98p 41.74p 15.96p 15.96р

Second Interim Dividend in lieu of Final of 4,40p per Income share, making 6.95p per share for the year (6.30p per share) payable 30th December 1988 to shareholders registered 9th December 1988.

Maunby Investment Management I.I.d.,

Maunby Investment Management Ltd.,

4 Mount Parade, Harrogate,
North Vorkshire HGI 1BX.

COPE CONSULTANTS IN CORPORATE GRAPHIC DESIGN

CORPORATE IDENTITY

ANNUAL REPORTS

FINANCIAL LITERATURE

For and on behalf of ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED London Office 40 Holborn Vuduet London ECIP IAJ 25th November 1988 Note: The Company has been requested by the Commissioners of Inland Revenue to state: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South Africa non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10% instead of at the basic rate of 25% represents an allowance of credit at the rate of 15%.

Amount of dividend declared Less: South African Non-Resident shareholders' tax at 15%

Second Series Floating Euro-Dollar Repackaged seets of the Republic of Maly F.E.R.A.R.I. 11 USDOL 330.000.000

For the period from November 25, 1988 to February 27, 1989 the notes will carry an interest rate of 9 3/8 0/0 per annum with an 2,447,92,-per usdal 100,000 n The relevant interest payment

will be February 27, 1989.

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For the period from Nevember 24, 1988 to February 24, 1989 the Notes with carry an interest rate of 71½ ftp per annum with an interest amount of EGU 1989,55 - per EGU 100 000 Note and of EGU 1989,53 - per EGU 100 000 Notes. The Relevant Interest Payment date will be February 24, 1988.

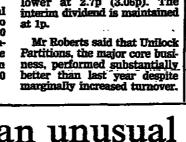
Guaranteed Notes due 2006

has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians. glamorous hostesees, exciting floorshows. 189. Regent St., WI. 01-734 0557.

taxable profits from £759,000 to £909,000. Mr Ken Roberts, chairman, said the recovery was expected to continue.

There was an exceptional charge in the six months to September 30 of £155,000 incurred in preventing a comcomparatives included an exceptional profit of £255,000 on the sale of a property.

Pre-exceptional profits doubled to £1.06m (£504,000). Turnover was £12.61m (£12.53m). Earnings per 20p share were lower at 2.7p (3.06p). The interim dividend is maintained





Henry Angest: scope to diversify in banking

Other subscribers pay monthly, and by cheque or

they must collect, updated each week with some 3,000 changes to take account of bills falling due. Delinquents are immediately cut off from

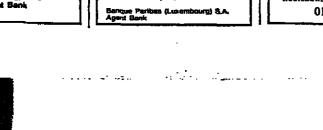
something out of Andy Capp, Mr Henry Angest, the chair-man and chief executive, is quick to disagree. "It may have started off as a way to help people pay their bills, but now it is a convenience service," he says. "People are not that hard up these days, and the fact is that our company is growing." Indeed, the more one looks

ing subsidiary Secure Homes Limited, date back to 1952

WOOLLCOMBE & PARTNERS CONTACT: PETER COPE RCSD

The agents go out on their rounds armed with detailed





MANAGEMENT

itself across the world in a search for foreign markets rationalise its production facilities without losing

access to those markets?
This dilemma, which is faced by many multinationals at some point in their development, is particularly acute for Ericsson, the Swedish-based telecommunications manufac-

threr.
The world market for public telephone exchanges — Erics son's main product line — has become extremely competitive. It is characterised by high development costs, stagnant demand and over-capacity. Most of the players are trying to deal with these problems by merging with competitors in an attempt to reduce duplica-tion in ReD spending and cut-ting prices in a drive for mar-lor characters.

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While Ericsson has also par-ticipated in this restructuring, it is highly unusual in the tele-communications industry in having 30 manufacturing plants scattered around the globe in locations as far-line as Malaysia, Mexico and Aus-tralia. This diaspora was forced by Ericsson's realisation early on in its corporate existence that it would have to sell abroad to survive. Unlike its American and Kuropean com-petitors, which had large and protected domestic markets to

produce for, Kricsson had only tiny Sweden. It therefore jumped over the trade barriers by developing close relationships with scores of public telephone operators and setting up factories in their countries or nearby. This strategy led to marketing wonders in the 1970s but has left behind something of a produc-tion headache in the late 1980s. Access to those markets is still, of course, a great asset but the introduction of advanced manufacturing tech-niques — which require high capital investments but very little labour — has made it increasingly inefficient to have so many factories around the globe. Ericsson therefore now needs to concentrate its facili-

ties and cut its costs if it is to remain competitive. "In an ideal text-book world, "in an ideal text-book world, you would have all manufacturing concentrated in one giant plant," says Johan Siberg, the company's production director. But, as he points out, the market for public exchanges is intensely political in spite of the liberalisation sweeping through the felecomsweeping through the telecom-munications industry. duction in one plant is not munications industry. politically feasible, Ericsson

turing company Telecommunications which has spread

Ericsson switches its global strategy

Hugo Dixon explains why the Swedish multinational has had to rethink its manufacturing operations



Although tariff barriers are

going, non-tariff barriers remain. emain. Most nations still regard the Most nations still regard the manufacture of these highly sophisticated pieces of equipment as strategically important. The telephone operators which buy the exchanges are usually state owned and feel they have a duty to create fobs and develop their nation's manufacturing base by using local suppliers. Even privatised British Telecom only chose British Telecom only chose Ericsson as the second supplier for its exchanges because the company agreed to make them at its plant in Scunthorpe. Other European countries – which account for a large pro-portion of Ericsson's sales – are more protectionis; and so the company is not banking on the removal of trade barriers in 1992 changing things much.
"Even if the single European market allowed us to have just one plant in Europe, we would never think of taking that risk," says Bo Landin, senior vice-president for marketing. Given that the first-best solu-tion of concentrating all pro-

The state of the s

has had to devise an alternative strategy for achieving manufacturing economies of scale. This strategy, which was started about two years ago, has three elements.

First, it is closing factories in countries which do not have large telecommunications mar-

kets, where the danger of los-ing business from pulling out is minimal, or where it has several factories. The company has already shut plants in Aus-tralia, Brazil, Colombia, Ecuador, Sweden and Venezuela, and more are expected to go. Second, Ericsson is convert-ing other peripheral factories from the manufacture of hard-ware to the development of software. This is made possible by the fact that about threequarters of the value of the newest digital exchanges is accounted for by the software and only a quarter by hardware — in the early 1980s, the ratio would have been the other way round.

able to run more efficiently if it is making fewer products in Turning factory hands into software designers might be thought to be an impossible training job and Siberg admits that it is not a solution that can be applied to all of a faclarger volumes.
Although Ericsson plans to concentrate the production of each building block in a small

bly of the blocks into exchanges will still be dispersed in about ten plants. There are several reasons for Exchanges have to be tai-

lor-made to some extent for each country because of differ-ent technical standards. Siberg argues that it is easier to tailor and sell its products when it is

Close to its customers.

The potential economies of scale from concentrating assembly are less than from concentrating manufacturing. Ericsson does not want to have all its eggs in one basket, as this would leave it vulnerable to a strike or any other stoppage of production. Having several plants used correctly is a way of increasing your flexibility," says Siberg. [The experience of car manufacturers which have followed smills production noticemed similar production patterns suggests, however, that there is no immunity from the effects of strikes.)

 The final point is political.
Governments feel there is more industrial machismo from making finished products than building blocks.

The building block approach is already far advanced on the software side, mainly because it is fairly easy to divide a com-puter program into smaller parts. The effort is co-ordinated in Stockholm, where the com-pany's mainframe computer is located. Foreign offices which are responsible for parts of the program link into this computer via remote terminals

Implementing the strategy on the hardware side has been slower, because the company's older exchanges cannot be eas-ily split into separate units. Ericsson, however, is design-ing its new products with the express intention that they should be susceptible to the building block treatment. The philosophy applies not simply to public exchanges but also to private exchanges. In the future, both types of product

will use as many of the same building blocks as possible, reducing R&D costs and

increasing production effi-

The political pressures and the need to dovetail the rationalisation of plants with the introduction of new products mean that Ericsson is so faronly about a third of the way through its rationalisation strategy. And as the strategy strategy. And, as the strategy is put into practice, the details will almost certainly have to be adapted to the particular circumstances of each market. But, as Siberg points out: "There is no Aladdin's lamp

solution for anything."

Market strategy

How Shaye is plugging a gap

Terry Dodsworth on the UK company's sub-contracting policy

hen Britain's pio-neering "telepoint" cordless telephone service begins sometime next year, one thing is a racing certainty. Whatever the choice of licensees, or the technical specifications of the different systems, telephones designed by Shaye Communications will be among the first to go into

Telepoint is the new and as yet untried system that will allow customers to make tele-phone calls with portable per-sonal handsets at specified public places such as railway and petrol stations. The service will work by using a radio link from a handset to a small box of electronic gadgetry that has a direct link into the public

Shaye has already shown a handset working at a public demonstration in London, thus capturing a place as one of only two companies — the other is Ferranti — that will be able to supply the equipment by next year. It is an important lead — particularly if the lead, particularly if the licences are granted swiftly enough to start services early in 1989. But it is not a commanding position, and the company will soon be under attack from a raft of fresh com-

The important question facing Shaye, therefore, is how to maintain and capitalise on its pace-setting role. This problem is compounded by the fact that it is a small, extremely young research and design operation in an industry populated with big, established manufacturing companies. It has atolone companies. It has stolen a march on these potential com-petitors for the time being, but over the long haul they have the advantage both of available investment funds and years of

manufacturing experience. Shaye's response to this challenge is to try and avoid manufacturing altogether. Bill Jeffrey, managing director since Shaye's formation two years ago, is convinced that the cordless telephone market will grow rapidly. Demand is also likely to spread quickly to other countries which are not yet as far advanced along the cordless route as the UK. For a company like Shaye, he argues, these growth prospects can best be tackled with a three point strategy:

First, cordless phones are "very high technology prod-ucts. To make them at the right price and quality requires a lot of first class equipment and experienced management.
Shaye, which currently consists of 35 engineers, can buy
this production experience and skill more effectively than it can develop it in house, he believes. So the equipment supply is being sub-contracted to a Philips plant at Dunfermline in Scotland.

Second, the process of subcontracting manufacturing can be used to advantage in over-seas expansion. "Our theory is that when we go into export markets there will be a strong desirability for local content,

Local facility

Shaye will be able to offer this local manufacturing facility because the company will not have to balance the question of maintaining the loading of its own plants against the building overseas. It has already concluded an agree-ment which could lead to such foreign production with Crouzet, the French public telephone box manufacturer.

Third, the sub-contracting route should allow Shaye to move and drive down prices more quickly than if it had to develop its own production lines. This depends, of course, on the quality of the sub-con-tracting companies, but Jeffrey believes that these are much more efficient in Britain than they were only five years ago. By working closely with them Jeffrey believes that it will be possible to iron out the manufacturing problems rapidly.

Fourth, Shaye believes it can

achieve more flexibility and a keener competitive edge by using sub-contractors rather than committing itself to man-ufacturing. Despite the improvement in the costs of European sub-contractors, Shaye wants to have the free-dom to shift production elsewhere if necessary, his particu-lar concern is that Far Eastern producers have access to plen-tiful supplies of cheap components. The initial contract, he says, went to Scotland on a clear-cut price/performance judgment, but he intends to maintain freedom for manoeu-

At the same time, Jeffrey At the same time, Jeffrey intends to maintain Shaye's control over the quality of its product. Quality, he argues, will be a key issue in maintaining market leadership, but it obviously poses a problem when production is spread hetween different plants and between different plants and

different producers.

To try and tackle this, Shaye has designed its own testing equipment and quality control software which it intends to impose on all the factories making its equipment. "There will be a lot of automated production and testing," says Jeffrey. "We can control the quality and the testing because

ity and the testing because we write the software for it."

If Shaye's strategy works, it will conclude an extraordinary recovery from the dark days of 1985, when Jeffrey first arrived at the company. At that time the Shaye activities were owned by Sinclair Research, the organisation set up by Sir Clive Sinclair, the inventor, which had fallen on troubled times because of problems with its home computer activities. One of Jeffrey's first decisions on joining the group was to find a buyer for the computer division and concentrate on the semiconductor and telecommunications field.

In semiconductors, the group quickly found outside investors for Anamartic, a company which is working in the futuristic area of wafer-scale inte-

eration. The cordless telephone side was then floated off from Sin-ciair and developed with the help of outside shareholders. Sinclair's stake dropped to 10 per cent, and Jeffrey persuaded Fred Olsen, the Norwegian shipping magnate, to back the project. He attracted funds from other Norwegian inves-tors and from Nokia, the Finnish electronics group which also claims to be the world market leader in car telephone handsets. Nokia now holds 25

The company was put on a stable financial footing with a £3.5m cash injection from these different sources two years ago. With this cash it appears to have jumped into the lead in the first lap in the cordless telephone race. Now it has to try and keep in front for the

TECHNOLOGY

tory's existing workforce. But

he stresses that the people working in Ericsson's plants are highly-trained and familiar with information technology.

We are not talking about the person standing by a milling

person standing by a milling machine with grimy fingers."

The third element of Ericsson's strategy is to focus the activities of its remaining plants more narrowly. Its factories will no longer be jacks of all trades, making all the different building blocks necessary for an exchange. Instead, each factory will specialise in making only a few of the building blocks and will buy the rest from its sister factories in

rest from its sister factories in other parts of the world. The rationale behind this

approach is that it should

enable Ericsson to achieve the economies of scale it needs to

remain competitive while still

keeping a manufacturing pres-ence in a large number of mar-

kets. Each factory should be

mumber of factories, the assem-

Machining a niche in the jet stream

Nick Garnett assesses a UK company's domination of a specialist grinding field

he long decline in the techno-logical capability of Britain's machine tool industry has turned the country into a second division player, compared with the Japanese and West Germans, the spe-cialist machine builders of Switzerland and now the up and coming Italians.

However, the failure of an industry to read market trends and invest accordingly is rarely uniform. Some UK-com-panies do have the technical compe-tence and market pesition to rank as serious international competitors.

One company which has achieved ition of a product niche that few machine tool concerns snywhere can match is Butler Newell, a West York-shire subsidiary of the B. Elliott group. Among its products are the grinding machines used to make jet engines.

machines used to make jet engines.

These large and complex machine tools, which cost film each and weigh more than 25 tomes, grind the tips of blades in compressors and turbines for the latest jet engines. Of the 28 light-speed blade tip grinding machines installed or ordered in the aviation industry, 24 are from Butler Newall.

The company, based in Keighley, has been helped by the fact that, neither Japan nor West Germany is a signifi-Japan nor West Germany is a signifi-cant jet engine maker. So the two lang-est and most competent machine tool nations have had little reason to

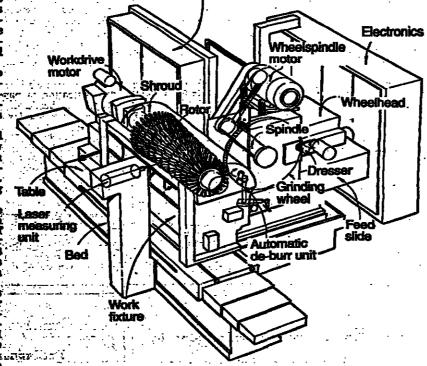
update its blace-up grinders to meet the changing requirements of both the four main makers of jet engines and the airlines that buy the aircraft.

It has so far resisted the challenge posed by the late emergence of three West German machine tool companies into this product area; and it has been about a course to recognize impending abrewd enough to recognise impending technology shifts which could threaten the future of the blade-tip grinder.

Modern jet engines (which are more accurately termed turbo-fana) use a large from mounted fan which sucks in air. Some of this air passes through a compressor to mix with the fuel and that mixture is ignited to drive a turbine. Through a shaft, the turbine powers the front-mounted fan. This fan accounts for 80 per cent of the engine's thrust. The rest comes from the jet of hot gases that pours from the turbine.

The majority of jet engines have compressors made up of discs, each holding a set of hiades. This includes the Prattern Majorithm The which programs the

fuel saving, the trend has been towards compressors based on a rotor drum on the casing, and variations in the size of which the blades are slotted into those gaps, also create air buffeting grooves. The whole unit is placed in a which the passenger can hear steel casing known as a stator. About 22 Butler Newall's machines remove the



The problem with dram rotors is that the blades are more difficult to machine accurately to keep to a minimum the amount of space between the spinning blade tips and the stator. One reason for this difficulty is that the blades fit loosely into their profiled stots, which are shaped like fit trees. Centrifugal compressor, about 3 m long, might have up to nine stages and 700 blades. There that and they also expend with heat

force makes the blades rigid in opera-tion and they also expand with heat.

Maintaining as narrow a gap as possi-ble between the spinning blades and the stator is very important. The larger the gap, the poorer the air seal, so reducing engine efficiency.

The difference between the tightest possible gap and one left by less accu-rate machining can increase the amount of fuel used on a transatlantic crossing by 1 per cent. - a lot of names.

crossing by 1 per cent — a lot of money for a large carrier. The International Air Transport Association says that fuel and oil account for 14 per cent of and Whitney JTS which powers the the operating costs of the 172 sirlines in majority of Bosing 747s.

tis membership. British Airways' fuel However, for lightness of build and and oil bill was 22.8bn in 1986. Large gaps between the blades and

those gaps, also create air buffeting which the passenger can hear. Butler Newall's machines remove the per cent of all jet engines in service, errors in blade machining by grinding have a drum rotor compressor and all the blade tips in situ, with the compressor newly designed engines have them. — sor drum including blades on the

ier Newsit's biede-tip grinder machining a drum rotor

are perhaps 200 variations in blade length and angle to the drum. A hig machining error would be expensive such a compressor costs about \$500,000. Grinding is done to a computer controlled programme and the computer also measures the amount of wear on the grinding wheel. That wheel is redressed automatically perhaps 50 times during the 1% hours it takes to blade tip grind a compressor. A laser gauge measures tolerances to about one half of a thousandth of an inch.

The machines use a sophisticated control made by Fanuc of Japan. This includes a circular interpolation facil-ity, which allows the machine to grind smooth blade tip curve. Butler Newall adds its own monitoring equipment, including controls for measuring the vibration and temperature of bearings on the machine tool. The grinding machine also produces a

printout giving details of variations on

allowable tolerances for each blade

Ithough there is still a substantial market for blade-tip grinders, Butler Newall faces short and long-term threats to its position.

The company sells its machines direct to the four main jet engine mak-ers, General Electric, Pratt and Whit-ney, Rolls-Royce and the joint venture set up by GE and Snecma of France. It sold its first blade-tip grinder to Rolls-Royce in 1980.

Blade-tip grinding is also performed during overhand and repair of engines, typically at between 5,000 and 12,000 flying hours. This after-market for the machines includes the military, subcontract overhand shops and civil atrines, such as British Airmour and Monthwest. such as British Airways and Northwest, such as British Airways and Northwest, with fleets large enough to justify substantial in-house overhaul facilities.

Ian Porter, Butler Newall's commercial director, says that the after-market could take a further 20 machines over the next five years or an with another.

the next five years or so, with another six going to the engine makers. There is also a potentially huge East-ern bloc market. Soviet jet engines do

not use drum rotor compressors; how-ever, technology is taking the Soviet Union in that direction. Under the Cocom rules limiting technology transfer to Eastern bloc countries, Butler Newall would have to simplify the controls of any machines it intended to export there.
But there are changes in the interna-

tional market which could work against the company. First, there is strong pres-sure in the US to have military equipment made on US-produced machine tools. That could bring a US machine tool company into blade-tip grinding, although an earlier attempt to do so by Cincinnati Milacron was abandoned in

Second, although the three West German companies, Dorries, Elb-Schliff and Carl Schenck, have so far sold only four blade-tip grinders between them, competition from this quarter could become

Third, many turbines are now built with a special internal coating of a material such as carbide or borozon, into which the blades cut a path. In this way the required gap is made between casing and blade tip without recourse to grinding, and this technique could find its way into compressors. Finally, shifts in engine technology might make the blade-tip grinder redun-

dant. The US military is spearheading a programme for the manufacture of lighter engines in which compressors and turbines would be made up of cast drum sections complete with blades, known as blisks. This could be linked to the use of ceramics which is also being investigated by engine makers. This is many years off. But Brian Winch, Butler Newall's managing director, is already saying: "We will want to get into blisk technology."

How to give every child a practical advantage

David Thomas reports on a UK Government committee's initial proposals for radical change in the way technology is taught

new school subject - come. design and technology was launched yester-day with the aim of cracking a problem which has bedevilled UK education throughout this

British schools have failed to instil in every child the practical competence needed in adulthood, whether in the home, at work or in wider society. The Government's insistence that design and technol tence that design and technology should be one of the key subjects in the new national curriculum, to be taught to all 5 to 16-year-olds, provides an opportunity to tackle this failure, long regarded as a fundamental cause of Britain's economic malaise.

An official committee An official committee looking into how the Government's vision might be put into practice stresses the novelty of the project. In its interim report", published yesterday, it says that for many secondary schools, "providing a broad experience of design and technology for every pupil will represent a substantial innovation."

The committee, chaired by Lady Margaret Parkes, an edu-cationalist, believes that even in those schools offering technology at present, the teaching often divides into a narrow craft-based subject for the less able and an academic discipline with a strong physics input for the more able. Design and technology, as conceived by the committee,

would draw in elements from many other subjects, including science, maths, art and design, home economics and business The most important innovation is that children will be

tested on what they can do, not on what they know. "The main outcome of pupils' design and technological activity should be capability in the realms of practical action," the report

Five broad objectives, called "attainment targets," are out-lined for every child. These relate to: exploring and investigating a problem; developing and choosing a solution; organ-

Fiesh is put on the bones through 10 attainment levels used to measure a child's progress towards these broad objec-

Here, for instance, is just a sample of what will be demanded of an average 14-year-old: ability to use a range of hand and powered tools and equipment, such as a plane, cooker, database and spreadsheet software package, air-brush and sewing machine; competence in interpreting plans, drawings and diagrams, such as a switching circuit, a working drawing and a dress pattern; grasp of how to appraise the materials and components in a product, including their aesthetic or

The report explains what will be expected of all schoolchildren in two further ways. First, it dissects the core notion of practical competence into its component parts, the two most important being knowledge and understanding, on the one hand, and skills, on the other. The report contains seven pages of topics about which pupils should know, including materials, energy, information, business and economics, equipment, maths, structures and applications. This is followed by three pages of desirable skills, such as making, planning, investigating and appraising.

ting and appraising.

Pupils will be introduced to these areas of knowledge and skills as they pass through school. The thoroughness of what is being proposed can be gauged by an extract on "business and economics", which says that because of the impact of business and to a design and task of business on design and tech-nology, pupils should "have a knowledge and understanding of the calculation and allocation of costs and revenues, opportunity costs, marketing, stock and quality control, efficiency of production procedures, and employment and safety considerations."

Second, the report illustrates the programmes of study to be followed by children as they prepare for the four key stages ising and planning a task; at which their knowledge of making an object or other product; appraising the out-

and 16. For instance, 11 to 14year-olds should be taught knowledge of the working properties and aesthetic quali-ties of an increased range of standard materials, both natu ral and manufactured (for example, timber, fabric, plas-tics), and of the characteristics of a range of bought-in components (for example, knockdown fittings, electronic com-ponents and electronic soft-

The committee, which has to cover a lot more ground before publishing its final report next April, cannot be faulted for lack of ambition. Doubts may arise, however, as to the practi-cality of what it proposes, par-ticularly since 5 and 11-year-olds, and possibly also 7-year-olds, are to start working to the new design and technology curriculum as early as Septem-

There is the problem, first, of resources. The report stresses the need for a big teacher retraining programme, as well as for more spending on specialist buildings and equipment, par-ticularly microcomputers.

Then there is the question of the leeway many schools will have to make up: "The present gap between best and worst practice is probably greater in the case of design and technology them in most with the case of design and technology." ogy than in most other subjects," says the report.

Finally, schools will have to overcome tricky organisational problems if, as the report envisages, this new subject, drawing widely on other disci-plines, is to be fitted into 10 per cent of the school timetable not to mention the departmental jealousies if design and technology is to subsume other

disciplines, such as home economics and art and design, But if these worries can be resolved, then the debilitating division between the academically able, but practically incompetent elite and the can-do, but know-nothing majority may at last be on its

 Design and Technology in the Design and Lecturity in the National Curriculum: Interim Report. Available from Mr Desmond Woode at the Department of Education and Science on

COMMODITIES AND AGRICULTURE

Oil prices fall as Opec meeting is put off again

OIL PRICES fell yesterday as ministers of the Organisation of Petroleum Exporting Countries, meeting in Vienna, again postponed a formal session of the ministerial conference

until this morning.

Postponement was interpreted as a sign of lack of preced as a sign of lack of progress and an earlier mood of optimism seemed to evaporate as a solution to the critical issue of how to bring Iraq back into the Opec quota system continued to elude

After emerging from a meeting with Mr Gholemraza Aghazadeh, the Iranian Minisrefr. Mr Rilwanu Lukman, the Opec president, who heads the Nigerian delegation, said that the atmosphere for the meeting could have been better. "We are trying to break the ice," he

North Sea Brent oil for December delivery closed off 35 cents at \$12.90 in European trading. US markets were Iranian position to see if there were conditions under which fran might soften opposition to allowing its rival Iraq to have a production quota equal to its

14.27 per cent, which means that other countries would have to sacrifice their own quota shares in order to build up the Iraqi position. Mr Aghazadeh has further insisted that any contribution

Mathematical parity, how-

Norwegian oil output forecast to rise 20%

NORWAY'S OIL production will rise by 20 per cent to 1.4m barrels a day in 1989 from its current level of 1.2m b/d even if its 7.5 per cent production restraint remains intact, according to a report released yesterday by CountyNatWest-WoodMac, the Edinburghbased energy consultancy.

If the restraint is lifted it will

allow a further 100,000 b/d of oil to flow in to the market, putting further pressure on the oil price. Norway first implemented a

Norway first implemented a 7.5 per cent production cut February 1987 to support Opec in its bid to restore world oil prices to a higher level.

However, Mr Arne Oelen, Norway's Oil and Energy Minister, warned earlier this month that if Opec failed to reach an agreement on

reach an agreement on production levels, at the current Vienna meeting, which restored to a higher level, he would withdraw the restraint According to the report,

should Norway begin produc-ing at full capacity, output would rise to 1.5m b/d in 1989, or 300,000 b/d more than the

In the short-term, says the report, Norwegian production will rise by 100,000 b/d if the

Mr Aghazadeh, however, has shown no signs of backing Quota parity between the two countries is supported by the Gulf Arab states, including Saudi Arabia and Kuwait, and

is believed to have been accepted in principle by the other Opec members. Iran has also insisted that its percentage share of Opec production should remain at

to the Iraqi quota fall short of bringing it to parity with

closed for the Thanksgiving holiday.

Negotiators were probing the ever, remains apparently a non-negotiable demand by Iraq and the Gulf Arab states.

By Karen Fossii in Oslo

production curb is scrapped this year. Two Norwegian oil fields, Gullfaks and Oseberg, account for most of the coming increase in capacity. Oseberg, due on stream in December, will build up to a peak production capacity of 240,000 b/d in the first half of 1989.

Gullfaks capacity will hit 260,000 b/d in 1989.

However, the report acknowledges that despite the restrain it is difficult to predict base output levels of Norwegian fleids which are in an early production phase and that the treatment of the Statfjord output level and cutback amounts leaves some

scope for variance. Because the Statfjord and Murchison fields straddle the UK/Norway median line, their cutback has been transferred to the Guilfaks field.

may seem insignificant in quantity terms," says CountyNatWest-WoodMac, but these incremental 100,000 b/d could put further pressure on the oil price."

The report concludes that almost 75 per cent of Norweeconomical at \$5 a barrel and that production will peak at a

COCOA Enor

Copper touches fresh peak on LME

By Kenneth Gooding, Mining Correspondent

GRADE A copper for immediate delivery touched a new record of £1,898 a tonne in early trading on the London Metal Exchange yesterday.

At the same time traders suggested that Codelco, the state-owned Chilean group which is the world's largest producer, had been buying metal in the market to cover metal in the market to cover export commitments for Janu-

ary. Several traders indicated that Codelco took about 5,000 tonnes of copper. They said the group had been into the market before and bought 2,000 tonnes in October or early November.

Traders also suggested that Codelco purchased as much as 40,000 tonnes on the international markets between December last year and May 1988 to help cover the loss caused by a rock-burst at Kl Teniente, its second-largest

Codelco admitted on Wednesday that output from Chuquicamata, the world's biggest copper mine, would fall 5 per cent short of the 1988 target because of start-up problems with a new oven. It stressed, however, that the shortfall would be made up from stocks. Chuquicamata had been

forecast to produce 538,000 of copper this year out of Codelco's total of 1.124m tonnes. However, the group recently cut the target to 1.105m tonnes – against production of 1.09m last year. The Chilean Copper Commission said yesterday that, in spite of near-record prices for much of this year, the coun-

down 4 per cent from 996,700 tonnes to 957,900 tonnes.
Production was little changed at 1.038m tonnes against 1.036m tonnes, the Commission said. Chile pro-duced 1.4m tonnes of copper in the whole of 1987.

try's copper exports in the first nine months of 1988 were

On the LME yesterday, after cash copper reached a new record in the morning, traders said the market was restrained later by a lack of fresh impe-tus from the New York Com-modity Exchange which was closed for the US Thanksgiv-ing holiday and will remain shut today.

Traders said there was no significant profit-taking and much of the early buying eemed to be short-covering Grade A copper for immediate delivery ended the day up £20 at £1,887.50, only slightly below the previous record of £1,894.50 achieved on November 2. Three-months metal rose by £25 to £1,654.50.

COMMODITIES PRICES

Iron ore set to forge ahead with steel

Valerie Darroch on the background to this year's price talks

THIS WEEK sees the start of the annual price negotiations between iron ore producers and steel mills in Europe. The world's largest commercial iron ore producer, Brazil's Companhia Vale do Rio Doce (CVRD), is holding talks with the largest European consumers, the German steel mills, and all eyes in the iron ore world are being trained on the outcome to gauge what effect it may have on the iron ore industry as it enters one of the most crucial periods in its history.

Iron ore mines' fortunes are inextricably linked to the fortunes of their customers, the steel mills. For the past five years this has meant that iron ore producers have had to accept continual erosion of prices as steel mills worldwide, and particularly in Europe, struggled with the problems of restructuring, over-capacity unhealthy balance sheets. However as this year's "mating season" gets underway there is every reason for mines to feel more bullish about their

The world steel industry is enjoying a boom period, with a stronger world economy encouraging capital investment and high levels of activity in major steel using sectors like the

construction industry.
According to the International Iron & Steel
Institute, 1988 will see world steel consumption of world steel consumption of those types of core that can be directly 782m tonnes of raw steel, its highest ever, and some 38m tonnes higher than previous forecasts by the institute. It is also cautiously optimistic for prospects for 1989, saying that consumption will remain steady with an easing of only 1 per cent from 1988's record levels. Steel companies worldwide are swinging back into the black with only a few

British Steel is anticipating its highest ever profits of £550m this year, paving the way to privatisation, and France's Uninor-Sacilor recently turned in a profit for the first time in 14

It is against this background that iron ore producers feel that a substantial increase in iron ore prices for 1989 is justified. The steel mills have always answered the mines' requests for stronger prices with the retort that it is a buyers' market as there is a world oversupply of fines (iron ore crushed into small particles) which form the bulk of world supplies. However, increased steel production

ore that can be directly charged to blast furnaces in the form of lump or pellets. Mines which produce these value-added products say that they have been hard pressed throughout the year to meet customers' demands for extra tonnage. While there is a strong

price increases are justified, there is also a genuine concern that if they are not attained then it could spell disaster for at least some of them. The mines say that after five years of price cuts they have trimmed operating costs and manpower to the minimum in an effort to keep their heads above water and that now they have reached a crucial point where a price improvement is vital to the continued operation of

some mines. Iron ore producers are seriously concerned that at current price levels, they can neither cover the cost of production nor make the necessary investments to ensure the future lives of the mines. The producers consider that the threat to the steel mills, if they allow their raw material supplihas meant a steady decline ers to go under, has been in world stocks of ore and a recognised and that higher

prices are therefore negotiable. So, the biggest question facing the indus-try this year is not "will prices go up?" but "by how much?

Many producers are burdened with heavy debt repayments in foreign currencies. Brazil's CVRD, for example, has substantial sums to repay in Deutsche Marks and has yet to cover funds borrowed to develop its massive new Carajas mine. Other companies are in sore need of funding to prolong the lives of their mines and to belief among mines that replace outmoded mining equipment. To sustain such expenditure, they are looking for price increases of 20 per cent for fines and more than that for lump.

In addition to stronger steel demand there are several other factors on the international scene which are combining to put pressure on steel milks to grant higher prices. In Australia, a rash of

strikes in the Pilbara mining region have severely reduced output, particu-larly the stoppage at Mount Newman Mining Company which affected mining and shipping at Port Hedland for several weeks, causing ships waiting to be loaded to be diverted to other ports. In Peru, iron ore producer Hierroperu has had difficulties sporadically

since the start of the year as the country's mining unions battle with the Government on wage

On top of the problems caused by industrial unrest, an accident at CVRD's load-ing facilities at Ponta da Madeira has added to the difficulties and tightened supplies further. The collapse of one of the company's two reclaimers initially lost the company 50 per cent of its export capacity from its Carajas mine. Although it is now taking steps to minimise this loss.

No firm prices were fixed following CVRD's meeting with the German buying agencies on Monday. The Brazilian company pro-posed a 21.3 per cent increase in fines prices and a 21.4 per cent increase for pellets, which would work out at 1989 fob prices of \$28.50 a tonne fob and \$49 a tonne respectively.

This is only the first in a series of talks that will take place before final prices ar expected to be determined but there are several factors which should ensure that this year's discussions stimulate some of the most lively negotiations between producers and consumers in recent years. Valerie Darroch is deputy

editor (steel) of Metal Bulletin.

Fine balance forecast for sugar

By David Blackwell

THE WORLD sugar market is finely balanced for the coming year, according to three different forecasters. C. Czarnikow, the London

trading house, yesterday revised its estimate for total 1988-89 output downwards to 107.03m tonnes, compared with its August forecast of 107.07m tonnes. Consumption was estimated higher at 109.12m tonnes, compared with an August prediction of 108.9m

The International Sugar Organisation has cut both its estimates from forecasts made in September. It put world production at 108.9m tonnes, against a previous 109.25m tonnes, and consumption at 108.25m tonnes, against 108.4m Gill & Duffus, another Lon-

don trading house, in its first forecast for 1988-89 yesterday put production at 108.15m tonnes, just higher than consumption at 107.85m by overlapping of crop and tonnes.

The ISO and Czarnikow both ance for some stock rebuilding. put 1987-88 output at 104.5m tonnes, with Gill & Duffus at

Czarnikow, the only one of the three to put next year's production below consumption, said its latest forecasts imply a drawdown of 2.65m tonnes after allowing for unrecorded "It is remarkable that the

progressive gains in consump-tion over recent years have made it necessary to generate such extra output and the prospect is that further supply increases will be needed in the near future," Czarnikow said. With the present low level of carryover stocks there will

be little to cushion the market from any effects of serious unexpected crop difficulties." The ISO said that the market was in balance, with the difference between production and consumption accounted for

(Prices supplied by Amalgamated Metal Trading)

High/Low AM Official Kerb close Open Interest

"We expect therefore that virtually all the sugar pro-duced in 1968-89 will be consumed in roughly the same

sumed in roughly the same period, and the stock situation will consequently remain tight," the ISO said in its review.

Gill & Duffus expects stocks to decrease to 33m tonnes, despite its predicted small supply surplus, "because of the statistical adjustment between exports and imports."

"Until the season is further undergone and less expendiction."

underway and less speculation is involved, the situation could easily go either way," it adds.
While recognising that its
forecast and the resultant fall in world stocks for the fourth successive season could be interpreted as a strongly bull-ish factor in the market, Gill & Duffus advises that "for the present it is best to err on the side of caution."

US and Soviets reported close to grain agreement WASHINGTON AND Moscow

appear to be on the brink of renewing their long term grain agreement, ending eight months of difficult negotia-tions, government officials said, reports Reuter from Washington.

US and Soviet negotiators could start their meetings in Moscow today to try to complete a new grain pact, the officials said. The two sides have tentatively agreed on a two-year revival of a 5-year pact requiring annual Soviet grain-

purchases of 9m tonnes that expired in September.
Deputy US Trade Representative Mr Alan Holmer, the head US negotiator, met Soviet trade officials in Washington earlier this week for talks that were believed to be on the new grain deal.

Progress toward renewing the agreement has been closely watched by the world grain

industry since negotiations began last March. A deal would set the tone for agricultural trade between the agricultural trans between the world's largest exporter of grain and the largest importer. More immediately, an agree-ment also could trigger a resumption in US subsidies on commodity export to Moscow that have been halted as prog-ress in the talks have slowed,

industry officials said.
"It puts an end to the whole period of uncertainty. In addition, it opens up the floodgates on the possibility of (subsidised) sales," said Mr Steve McCoy, executive director of the North American Export Grain Association.

The grain association and the National Association of Wheat Growers wrote to the US Agriculture Department last week asking it to grant the Soviet Union immediate subsidies for at least 2m tonnes

LONDON MARKETS

COFFEE prices closed higher yester

day, with some roaster price fixing in a thin market. The closure of the US markets for the Thanksgiving holiday 1m-bag increase in the International Coffee Organization (ICO) total export quota is expected next week, with the latest ICO 15-day average price, for November 23, edging up to 114.28 cents a ib from 114.15. The coffee will be released if the average rises to 114.40 cents. The US market closure prices until Tuesday. Cocoa prices also by selling once the second position contract went over £900 a tonne. In addition, the US market closure made dealers rejuctant to extend the advance. There was also no definite news of the Ivory Coast/France deal.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Qubei Brent Blend W.T.I. (1 pm est)	\$10.60-80q \$12.85-96×	-0.38 -0.35
Oil products (NWE prompt delivery per t	onne CIF)	+ 01 -
Premium Gesoline Ges Oil Heavy Fuel Oil Naphtha Petroleum Argus Estimales	\$176-179 \$127-129 \$80-62 \$132-135	-1 -2 -3
Other		+ or -
Gold (per troy oz) Silver (per troy oz) Platinum (per troy oz) Palladium (per troy oz)	\$420.00 814c \$672.75 \$128.25	+1.75 +3 +5.50 +1.00
Aluminium (free market) Copper (US Producer) Lead (US Producer) Nickel (free market)	\$2410 1545 ₈ -160 405 ₄ c 625c	-20 +6½ +15
Tin (European tree market) Tin (Kusia Lumpur market) Tin (New York) Zinc (Euro, Prod, Price)	19.39r 343c \$1500	-5 -0.01 +25
Zinc (US Prime Western) Castle (live weight)† Sheep (dead weight)† Pigs (live weight)†	70%c 115.79p 175.16p 81.86p	+ 1.76" + 10.7" + 1.85"
London daily sugar (riw) London daily sugar (white) Tate and Lyle export price	5383	+9.8 +7.5 +6
Barley (English feed) Matze (US No. 3 yellow) Wheat (US Dark Northern)	£113.5v £126.75w £113.05	+0.90
Rubber (spot) ♥ Rubber (Jan) ♥ Rubber (Fob) ♥ Rubber (KL RSS No 1 Dec)	53.5p 50p 60p	-1
Coconut oil (Philippines)	\$565w	+ 10
Paim Oil (Malaysian)§ Copra (Philippinos)§ Soyabeans (US) Cotton "A" index Wooltops (64s Super)	\$400 \$380w \$174.0 \$6.3c 625p	+0.5
2 a tonne unless otherwise	stated, p-pe	nee/kg.

	Close	Previous	High/Low
Dec	865	865	890 889
Mar	902	889	908 838
May	893	879	888 881
آلول آ	892	880	895 878
Sep	881	880	895 677
Dec	910	905	915 204
Mar	917	911	921 907
			a 10 tonnes
ICCO I	ndicator	prices (SDR	la per tonna). Da
			124,46):10 day av
ege for	r Nov 24:	1094,65 (109	21.69)
			•
COFFE	E E/tonne		
	Cicee	Previous	High/Low
Nov	1086	1044	1051 1042
بنهل	1062	1061	1081 1060
Mar	1079	1067	1077 1066
			1077 1066
	1077	1067	
Jly	1077 1078	1070	1077 1074
Jiy Sep	1078 1080	1070 1075	1077 1074 1078
Jly Sep Nov Turnovi	1078 1080 1060 er:1688 (34	1070 1075 1072 486) lots of	1077 1074 1078 1078 1072 5 tonnes
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um (free market) (US Producer) S Producer)	\$2410 1545 ₈ -160 40 ¹ 40	-20 +61 ₂	1625, /	lug 1638, (Oct 1605,	Dec 156	iS, Ma	r 1590
iree market) Topean iree market)	625c	+ 15 -5	LOWIDA	M METAL	EXCHAN		NED 0	
ple Lumpur murket) v York)	19.39r 343c	-0.01		tum (99.79		Calls		'uts
arg. Prod. Price)	\$1500 70%c	+25	Strike	price \$ to	une Je	Mar	Jan.	Mar
S Prime Western)	70 gc		2250	•	17	165	55	134
ive weight)f	115.79p	+ 1.76"	2350		103	122	97	187
deed weight)†	175.16p	+ 10.7*	2450		71	87	153	252
e weight)†	81.8\$p	+ 1.85*	Сорре	r (Grade A)	Calls	F	·ws
daily sugar (rew)	\$261.0z	+9.8	2900		397	283	76	267
dally sugar (white)	\$291.02	+7.5	3100		270		146	382
d Lyle export price	5262	+6	3300		174		247	517
English (sed) US No. 3 yellow) US Dark Northern)	£113.5v £126.75w £113.05	+0.80						
	-1-2-02	TUBU		ET AME U	SEC. 7451			

Alumini	um, 99.79	purity (s per tonne)			Rin	tornover 9,250 tonne
Cash 3 month	2380- 2305-		2410-20 2330-2	2335/2308	2405-10 2326-8	2305-10	20,055 lots
Alumini	um,99.5%	purity (4	per tonne)			. Ring	turnover 2,825 tonne
Cash Dec. 21	1245- 1247-		1265-70 1270-5	1257	1255-6 1256-8		15.001 lots
	Grade A		ntae)			Ring	turnover 29,825 tonne
Cestr	1885	90	1868-70	1900/1898	1896-8		
3 month	a 1654-	5	1629-30	1675/1648	1658-80	1054-6	66,524 lots
Sibrer (L	IS center		 				Ring turnover 0 oza
Cash 3 month	608-1 s 623-6	1	607-9 621-3		606-11 623-6		429 lota
	per toune	<u> </u>				Ring	turnover 4,700 tonne
Cash	384-5		384-6	383	382-3		4100 0000
3 month			361-2	383.5/361	381-2	381-2	11,139 lots
Nickel (per tons	ie)					ng turnover 726 tonne
Cash 3 month	13800 s 12550		13800-900 12375-400	13850/1380 12800/1248			QD 5,648 lots
			C per tonne)		N 1200-		Ring turnover 0 toppe
Cesh			- ben senteral				THE PERSON LAND TO STATE OF THE PERSON NAMED IN COLUMN TWO IN COLUMN TO STATE OF THE PERSON NAMED IN COLUMN TWO IN COLUMN TO STATE OF THE PERSON NAMED IN COLUMN TWO IN CO
3 month	s 1530-	40	1535-40		1536-40	1530-45	1,264 lota
Zbc (\$;	per tonne)				Pling	turnover 11,975 tonne
Cash 3 month	1830- a 1482-		1630-5 1494-6	1620 1500/1480	1615-25 1490-1	1490-5	12,719 lots
3 1101111	1 1 1 1 1			1000 1400	1767-1	14800	12,7 10 1049
POTATO	ES E/hora	ne			LONDON	BULLION MAI	DCET
	Close	Previou	s High/Low		Gold (tine	oz) \$ price	trelevlupe 2
Feb Apr	70.0 97.7	95.0 97.4	98.0 97.4	. –	Close	419-4-420-4	
May	112.0	111.5	1120	•	Opening fi	4194-4194 × 417.85	228 ³ 2-229 228.739
Turnove	r 151 (78	lots of	40 tonnes.		Alternoon	fix 419.95	228.482
SOYABI	AN MEA	L E/tonne			Day's high Day's low	4201-4201 4191-4191	
	Close	Previou	s High/Low				
Dec	160.00	158.00	158.00 158	.50	Colma	\$ price	2 equivalent
Feb Apr	167.00 167.50	165.00 166.00	165.50 165.50		Mapleleaf Britannia	492-437 492-437	235-238
-			20 Ionnes.		US Eagle	432-437	235-236 285-236
			dex point		Angel Krugerrand	429½-434½ 419-422	233 ¼ -236 ½ 226-230
	Close	Previou			New Sov. Old Sov.	98 \ -98 \ 98 \ -98 \	53 4-54 2
Nov	1528	1532	1528		Noble Plat	595.25-502.3	53 ¹ 4-64 ¹ 2 0 319.00-322.85
Dec	1565	1566	1570 1580		·		
Jen Apr	1675 1600	1575 7603	1678 1567 1606 1685		Silver fiz	p/fine cz	US ets equiv
Jul BFI	1410 1517	1411 1517	1410 1407		Spot	334.35	614.00
	r 199 (54				3 months 6 months	344.50 354.95	625.20 642.70
		7	_		12 months	374.90	871.25
	£/tenne				•		ļ
Wheat	Close	Previou					i
Jan Mar	111.10 114.03	110.65 113.70	111.10 111 114.25 114		CRUDE OF		
May	117.85	116.95	117.50 117	25			dous High/Low
Sep	118.95 102.75	118.60 102.65	118.95 118 102.75	LDU	Jen Feb	12.76 13.2 12.79 13.2	
Nov	105.25	105.00	105.25 105	i.00	IPE Index	13.24 12.8	
Barley	Close	Previou	s High/Low		Turnover,	3133 (5354)	
Jen	107.80	107.70	107.85 107				
Mar May	110.80 112.45	110.30 112.25	110,60 110 112,45 112		GAS OIL S	fionna .	
<u> </u>			. Barley 21		<u>:</u>	lose Previou	s High/Low
Turnove	r lots of	100 tonn	, . January 27 (27.25 180.00	128.00 128.00
_					Jen 1	25.00 128.25	126.00 123.50
US co	umođi	ly mar	kets were	elosed		23.00 128.50 20.25 123.50	123.75 121.50 121.00 118.00
for Ti	180 KSe	iving	vesterday.	Most	Apr 1	18.00 121.00	118.50 118.50
New 3	(OTK II	arkets	are also	closed	Jun 1	16.60 116.75 16.00 116.75	117.00 116.00 116.00 115.00
moday	Ditt C! IL Oper	ucago'	s exchang	es atte		15.50 117.00	115.50 113.00
DOM: D. J	u uuri	stiil.					

Report highlights fast growth in developing world metal demand By Kenneth Gooding, Mining Correspondent

ONE OF the most striking features of the non-ferrous metals business

is the pace at which consumption has grown in the developing countries, the Economist Intelligence Unit points out in its latest report, published this week.

Even for tin the average rate of growth in the developing world was 4 to 5 per cent a year during the

past ten years.
At the other extreme, consumption of nickel rose by an annual average of 12.3 per cent between 1977 and 1987. Copper and aluminium each showed growth of more than 7 per cent.

The Unit points out this is in marked contrast to the industrialised countries where the rate of growth over the same period ranged as much as 20 to 30 per cent from from minus 0.4 per cent a year for 1988 levels next year but says no lead and tin to 2.6 per cent for nickel.

As a result, the developing countries' share of non-Communist the share of non-Communis

three quarters of developing world consumption is concentrated in five countries: India, South Korea, Taiwan, Brazil and Mexico. The Unit suggests that the increased demand from "newly industrialising countries producing semis (semi-labricated products), often from imported raw materials, for the use of their own engineering

industries." The report, an annual review of 21 industrial raw materials, predicts that some metal prices could fall by

world consumption rose by 6 to 7 but, because producers have been percentage points in the ten years cautious about expanding or from 1977 for each of the six major metals: copper, aluminium, lead, zinc, nickel and tin.

In each case between half and the case betwee

> For the six major metals it gives for the six major metals it gives the following price forecasts for 1989: copper, an average London Metal Exchange price of 85 to 90 cents a lb (compared with 110 cents this year); aluminium, an average LME price of 90 cents a lb (1202c); tin, an average sterling price of £4,425 a tonne (£4,150); zinc, an average LME high grade cash price of £800 a tonne (£850); lead, an average LME cash price of £375 a tonne (£366) and nickel, an average free market melting grade price of \$3.90 to \$4.40 a lb (\$5.56).

World Commodity Outlook 1989; Industrial Raw Maleriais, £95 from the EIU, 40 Duke Street, London WIA 1DW.

AIDS threat to African cobalt output By Kenneth Gooding

COBALT PRICES, rather than those for copper, will benefit from the inexorable spread of AIDS across the Central African Copperbelt of Zaire and Zambia, according to Yorkton Securities, the natural resources research group.
Yorkton points out that about 70
per cent of non-communist world.

output of 22,500 tonnes of cobalt

comes from Zaire and Zambia as a by-product of copper mining. "Already there are signs output will fall sharply there this year — Zambia's output should fall by around 20 per cent in 1988," sug-gests analyst Mr Peter Miller in Yorkton's latest circular to clients.

Yorkton caused considerable com-

ment five months ago when it first highlighted the problem of AIDS in the Copperbelt region. Further research has shown that "pre-AIDS infection, usually referred to as being HIV positive, was more widespread than we had originally imagined," says Mr Miller.

"There has been a deliberate

ring true after 12 months of bull

market copper prices.
"Skilled labour shortages will become increasingly severe in future as fewer expatriates will be willing to live in basket case.

EUTERS (Base: September 18 1931 — 100) Nov 23 Nov 22 mnth ago yr ago

attempt, especially in Zambia, to understate the severity of the current situation. Already in large areas of Eastern Zaire, satellite photographs indicate wide scale depopulation as a direct result of the conset of AIDS," he adds.

The reason for this year's fall in copper and cobalt output is reputed to be foreign exchange shortages for spare parts. "However, this does not ring true after 12 months of bull economies with over 40 per cent HIV infection and no screening for blood transfusions," Mr. Miller suggests. "We believe the Copperbelt mines are now in terminal decline and the implications for the cobalt price are obvious. In a few years from now, 1980's level of \$20 to \$25 a lb could spare parts. "However, this does not ring true after 12 months of bull

Zaire, which produced about 12,000 tonnes of cobalt last year, and Zambia, which produced 4,500 tonnes, have co-operated on production and mistage properties on production and mistage present the same control of the company of the tion and micing policies since end-ing a price war two years ago. Recently they lifted the cobalt price by 12 per cent to \$8.40 a lb.

The chemical industry remains the largest single market for cobalt, taking 44 per cent of output, according to the Cobalt Development Institute. This use has expanded rapidly with the almost universal adoption of radial-ply tyres by the automotive industry. Cobelt is used as a bonding agent between the steel wires and the rubber in such tyres.



LONDON STOCK EXCHANGE

Nervous ahead of UK trade figures

THE UK equity market was a nervous and somewhat apprehensive place yesternay as traders, denied an overnight Color a Color lead from Tokyo and facing a similar market holiday in New York, fell easy prey to nervous-ness ahead of the UK trade figures for October, due this morning. The most positive news of the session was the signing of the agreement and major contracts for the new European fighter aircraft; but the market had already discounted the announcement. The session started with some uncertainty regarding

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Account Dealing Dates That Deallege: Nov 14 Nov 25 Dec 12 Account Day:
Dec 5 Dec 19 Jan 9

incorporated "deferred pay-ment" arrangements in the US. The market was soon con-vinced that such arrangements were not unusual, and the Bond group confirmed that it controlled all its 21 per cent stake in Lonrho, the mining and industrial company run by

FT-A Ali-Share Index

Mr Tiny Rowland, ing approached - but with the However, the uncertainty revived some of the concern Street closed for Thanksgiving Day, the UK market did little that Bond Corporation might but tread water for the final sell some share stakes in UK companies to meet the bill for two hours of the trading ses-

sion.
At the close, the FT-SE Index its Lonrho deal purchases. Equities extended their early was 4.1 down at 1833. Seaq volfalls as a leading securities ume, at 475.6m shares, com-pared with 581.8m shares on Wednesday, a session similarly restrained by the holiday clohouse operated a £50m sell programme which hit a number of blue chip stocks, including many of the insurance and sure in Japan. With the dollar also of energy companies. Later in the session, the trend was bal-anced by a smallish buy pro-

course lacking a lead from across the Atlantic, the inter-national blue chips failed to develop a definite trend. The London equities staged a somewhat Pavlovian rally as firm exception, however, was Glaxo, which has found new

barrel towards the close of

after turnover of 3.6m while

Carless Capel edged up 21/2

from one of the leading securi-ties houses could well be immi-

nent upset Sun Alliance, down

8% at 987%p. Sedgwick

attracted late support, closing

Brewery stocks remained becalmed by lack of business. Whithread edged better to

297p, a gain of 4 on the day, with dealers reporting some buying interest ahead of the

shares going ex-dividend on

Monday. Turnover was 2.1m. Whitbread "B" shares added 35

more to 770p, but dealers pointed out that the shares,

which carry voting rights, are virtually unmarketable.

Activity in Storehouse ran

up almost to Wednesday's

dizzy heights as the shares ral-

lied late to close a penny higher at 214p. By the close 21m shares had gone through the system heightening specu-lation that a stake will be dis-

closed in the near future. Analysts and dealers were still guessing as to the identity of possible stakebuilders and

reported that early profit-tak-

favour and the shares put on another 5 to 289p in trading described as options-led. Not

everyone was impressed, how-

ever, and Mr Andrew Hughes

of Hoare Govett yesterday

trimmed his forecast for the

year to January 1989 by £5m to

used its full year number to

enerally contracted further,

ing was easily absorbed.

3 up at 219p.

A further adjournment of the Opec meeting in Vienna left oil shares to trade quietly as Lon-don waited to see if New York would resume its buying inter est on its return to business. Market analysts began to sound increasingly nervous ahead of today's UK trade figures, if only because the previous monthly data was generally agreed to have been, "not as good as it looked", to quote Ian Harwood at Warburg Secu-

London analysts predict a near doubling of the monthly deficit on current account to around £1.1bn for October while some estimates run as

was said to have been involved in the day's programme trade activities, with most of the action on the sell side.

the talk that the company may launch a counter offer in the role of a White Knight against

Plessey. Second-liners showed George Scholes one of the day's outstanding performers and up some 25 to 295p, after 307p, after reports that Hanson and ABB have been involved in takeover discussions with the group. Scantronic added 3 at 110p after the sharply increased interim profits.

Engineering group Davy

Food stocks were very dull, across the board. Booker was a

297p. Whispers about a Swiss bid for the latter have been increasing throught out this week, with Suchard and Nestlé

erable optimism in the market Plessey, where 4.5m shares changed hands, gave up a couple of pence to 219%p, while GEC, where dealers noted big action via the inter-broker that some sort of agreement on output would be reached. The oil majors mirrored this view, with BP aggressively bought -the old settled 3 higher at 250p dealer screens, eased 21 to 176p. Turnover in GEC topped the new, where turnover rock-3m. STC continued to drift on eted to 11m, added 4% at

to 115%p, above the price offered by Kelt, with whispers doing the rounds that another bidder could soon appear.

The programme trades encompassed many of the insurance issues, especially Prudential which closed 1% off at 151% p on turnover of 5.5m. Good support developed for Commercial Union, finally 3% better at 331p, but suggestions that a "sell" recommendation from one of the leading account.

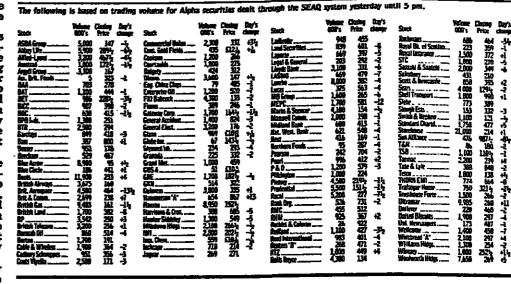
Corporation leapt 8% to 183p with talk in the market that a bid for the company could be imminent. FKI Babcock were mentioned as a possible preda-tor. FKI shares closed 2 off at 133p, after turnover of 4.3m, having opened higher at 136p.

with profit-taking reported notably weak market and the shares fell 8 to 388p. News of a \$5.5m acquisition of County Catering was regarded as unre-markable, but the main pres-sure resulted from the presence of a seller late in the session on Wednesday.

Among leaders, Cadbury Schweppes fell 3 to 356p, Northern Foods dropped 4 to 257p and United Biscuits 4 to

FINANCIAL TIMES STOCK INDICES Since Compilation High 22 127.4 (9/1/35) 88,19 68.29 88.33 89.80 Government Secs 105.4 50.53 (28/11/47) (3/1/75) 1349.0 1926.2 49.4 (8/2) (18/7/87) (28/6/40) 1493.7 1497.4 1487.3 1490.1 162.7 734.7 43.5 (22/9) (15/2/83) (26/10/71) . S.E. ACTIVITY Ord, Di, Yield Earning Yid %(full) P/E Ratio(Net)(ŵ) SEAC Bargains(5pm) Equity Turnover(2m)f Equity Bergainst Shares Traded (mi)f 93.5 92.6 24,755 459,4 Gilt Edged Bargains 96.6 Equity Bargains 158.8 Equity Value 2271.8 Ordinary Share Index, Hourly changes Opening 0 10 am. 0 11 am. 0 12 pm. 0 1 pm. 0 2 pm. 0 3 pm. 0 4 pm. 1494.1 1498.6 1494.9 1494.0 1492.3 1490.7 1491.3 1493.5 DAY'S HIGH 1498.6 DAY'S LOW 1490-2 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35. Gold Mines 12/9/56, SE Activity 1974, ANII 10.09 (Excluding

TRADING VOLUME IN MAJOR STOCKS



TV-AM continued to await news of the sale of Mr Alan Bond's stake which ran into problems earlier in the week. A sale is expected in the next couple of days and the shares

were unchanged at 155p.
Results from John Waddington were just below the bottom end of expectations and judged disappointing by the market. News of an acquisition did not retreated 10 to 198p. Bunzl ran into inevitable

profit-taking after its recent good rise and the shares fell to 137%p at one stage, before rallying on renewed takeover talk to end only a penny worse at

In properties, Hammerson shares, both "A" and ordinary, continued to trade well above

reflecting the market's belief that the UK group is seeking a white knight to replace the unwanted Dutch approach. At 859p, the "A" shares added only a few pence, while the less activaly traded ordinary the offer from Rodamco, less actively traded ordinary shares jumped 17 to 912p. Engineering stocks followed

the market trend to a dull close, with even the aero-engineering issues drawing little benefit from the agreement on contracts for the new Euro-pean fighter aircraft. Rolls-Royce, which expects more than £500m overall from the development contracts. ended little changed at 134p after a brisk day's trade. Dowty Group shaded a few

pence down to 231p. Edbro advanced 13 to 300p on interim figures showing

sales of £14.4m in the half year

fell 4 to close at 563p.

Activity in traded options was lifted to 40,214 contracts, made up of 27,517 calls and 12,597 puts, by continued heavy trading in the FT-SE 100 index and by activity in 175. index, and by activity in Ultra-mar. Index trading came to 8,316 contracts, lying in 2,312 calls and 6,184 puts, with particularly strong expansion of open interest in the November 1850 puts, and even stronger closing in the December 1800s

Please insert in International Edition's London Stock Exchange Page at the foot of the copy to replace London

overnight reports that the recent Bond Corporation pur-chases of Lonrho stock had Heavy Ultramar trade

Ultramar shares raced ahead in early trading, touching a high of 270p before later dip-ping back to close a net 13 higher at 262p; turnover expan-ded sharply and eventually settied at 10m, by far the heaviest for some time.

houses in London; it was accompanied by suggestions that a near 15 per cent stake was being accumulated and that a bid could be in the pipeline — Atlantic Richfield and Consolidated Gold Fields were among possible predators mea-tioned in the market. There was also heavy support via the traded options market where the stock was among the big-

gest traders.
Stake-building stories were shrugged aside by dealers,but there remained speculation that the near 14 percent stake held by Sir Ron Brierley's IEP Securities could well be on the move soon. A further stake of some 2 per cent is thought to be held by Premier Consoll-

But the market stories were refuted by Mr David Elton, an executive director at Ultramar, should provide work for Britwho said : "The company's underlying strength is only now beginning to be perceived by the market. The steep rise in the shares is partly a signed by the participating response to last Friday's pre- rations as well as two main residues as well as two residues as the residues as well as two residues as well as two residues as the residues as sensition to cell industry and development contracts for the lysts which explained the proprision system, and the strength of the group with its upstream and downstream balance of interests. We are not the and House Govett believe they have identified other contents. opments." -

Lourho deals The London market was puz-

zled by reports that Bond Corporation's recent purchases of Lourho stock had involved a "deferred payment" arrange-ment in the US. The market fixed on the disclosure that Bond will pay for its 48m Lonrho shares on December 1, four days ahead of the next Account day in the London equity market. "This represents a £184m. exposure, an extraordinary. risk for the London broker, whoever he is," said one dealer skilled in transatlantic arbitrage. Smith New Court was reported as saying; "Bond is not a client", and refused fur-

while dealers were not unduly alarmed by the reports on the Lonrho purchases, these fuelled speculation over the financial gearing of the Bond group. Unease was heightened

Group reorganisation

at Kleinwort Benson

400 300 900 Sep Oct Nov The early wave of buying interest was triggered by strong support, notably from three of the major securities that the Australian

group might want to raise more cash inspired a fall of 8 to 464p in Allied-Lyons, where Bond has an 11 per cent hold-ing. Turnover in Allied jumped sharply to 2.8m shares

holds 21 per cent, closed only a shade off at 385p, with turn-over of 7.2m higher than earlier in the week.

sharp fall in British Aerospace shares. They fell 13% to 464p on a turnover of 4.5m. The market had already dis-

ish Aerospace and its Euro-pean partners well into the next century. A memorandum of understanding has been

Both are concerned about the effect upon the group of the weakening dollar, and Warburg points to the prospect of

However, shares in Lourho, where the Bond Corporation

Aerospace setback Downgradings by two leading British securities houses outweighed news of the algaing of the European fighter aircraft contracts and provoked a

declining car sales for the Rover subsidiary. Hoars Govett is cutting its forecast for 1989 profits, said Mr Mike Tampin, the sector analyst. "Manage-

problems facing British Aerospace which justify a down-grading of profits forecasts.

ment is going to want to reduce the cost base of the business as rapidly as possible -line costs", he added.

gramme, also from a London house.

the time for Wall Street's open-

Equity Shares Traded

International stocks were demand, Wall Street's closure and a general unwillingness to do much ahead of today's UK Trade figures. Glaxo ran 6 better to 1083p on light buying on the inter-dealer broker screens. ICI eased to 1008p, Beecham was unchanged at 467p and Fisons was barely lower at 246p. Nomura Research recently put both Beecham and Fisons on its buy list.

Wellcome fell back 7 to 458p on profit-taking following Wednesday's rise on the back of comment about its drug Retrovir.

Rothmans reported figures in the middle to bottom of the range of forecasts and the shares fell 5% to 464p in thin turnover of 686,000. Mr Mark Duffy, analyst at Warburg Securities, points out that if Rothmans' cash holdings are stripped out, its core busi-

stripped out, its core businesses are currently trading on only 1.5 times earnings, making the shares fundamentally undervalued.

Eurotunnel remained one of the market's most popular stocks, advancing to 4450 bid at the outset, with arbitrageurs active again, before a close of 4300 m 7 on the session. 439p, up 7 on the session.

News from Vienna kept the oil and gas market on the hop. Crude oil prices dipped off as it emerged that the OPEC ministerial meeting had been postponed yet again, this time to re-convene at 10 am GMT today. Having retreated to \$12.85 at one point, Brent for December delivery rallied to around 50 cents down at \$13 a

NEW HIGHS AND LOWS FOR 1988

APPOINTMENTS

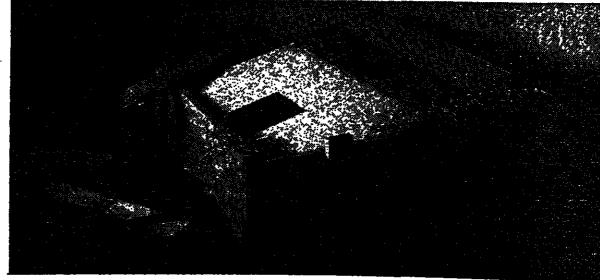
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£170m. Boots reported sparkling. interim figures which topped even the most optimistic fore-casts and took the market by surprise. The shares rose 4 to

233p in heavy turnover of 12m and after a bullish analysts' meeting there was widespread upgrading of profit forecasts. County NatWest WoodMac £280m (excluding property con-tributions) while Hoare Govett is now going for £282.5m.
Turnover in the electronics but Racal retreated 71/2 to 277p after turnover of 5.2m - well

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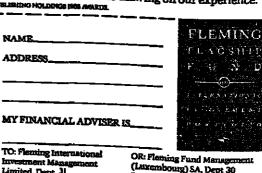
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MULTICURRENCY

m Mr Dennis R.W. Slik has been appointed to the board of the ECCLESIASTICAL INSURANCE GROUP. He is warden of Radiey College,

Mr Rill Francis, chairman of the Black Country joined the board of TYSONS as an executive director with special responsibility for 🤲 business development.

MILTHORP, which has completed a management buy-out from Hollis industries, Andrew as hon-executive chairman; Mr Ketth Taylor

KLEINWORT BENSON Agnew, currently chairman of GROUP, the City merchant Kleinwort Benson Securities. Executives heading the

banking concern, completed a series of top level management changes yesterday with the appointment of Mr David They are Mr Nelson Abanto, Peake as group chairman in succession to Mr Robert Henderson from next January 1, writes David Lascelles, Banking Correspondent.

His appointment was fore shadowed last year when the group altered its structure to concentrate policy-making in the board of the holding company rather than the banking shadowed.

Mr David Clement, Mr Charles Hue Williams, head of equity market making, and Mr Colin Balthy, head of investment In addition, Lord Rockley, Mr Robin Fox and Mr David Beason will become group vice chairmen. Mr Citye Brook and Mr Andrew Rutherford retire from the board

director - finance and administration, and Mr John Bentley, joint managing director - sales and

is Mr Ray Creed has been appointed sales director of WALKER & STAFF.

■ Mr. George Radford has been appointed commercial director OF HELMSMAN LOCKERS,

BHAYE COMMUNICATIONS has appointed Mr Bob Apollo-as sales and marketing director. His was with Hewisti

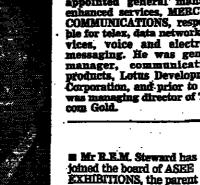
marketing division of Duracell Batteries, has appointed Mr David Young as director and general manager, with additional responsibility for operations in Denmark, Norway, Finland and Sweden He was zone manager, nordic

■ Mr Russell Twick (magazine editor-in-chief), Mr Henry van Wyk (advertisement sales director), and Mr Frank Ross (personnel director) have been appointed directors of the READER'S DIGEST ASSOCIATION.

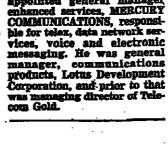


become managing director of the KYLE STEWART GROUP.





Mr John Trusler, (above) joint managing director, has Mr Robin Stewart, previously chairman and joint managing



Mr John Edmunds has been appointed manufacturing director at Bicester-based SCHADE BRUCE, a supplier of metal formed components to the motor industry. He was previously employed by the Rover Group.

company of Electrex

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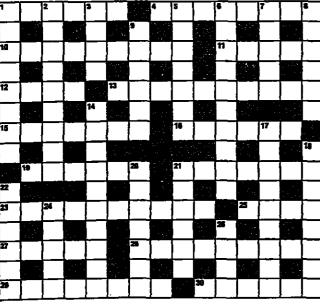
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Fig.



- ACROSS

 1 It safe to go off for holiday abroad? (6)

 4 But not only local magistrates sit on it (3-5)
- trates sit on it (3-5)
 10 Producer of low notes in the higher ranges (9)
 11 Mature piece of tripe normally (5)
 12 Buckle with black edge (4)
 13 The old man of Thule has me confused (10)
 15 Fare from Rome originally?

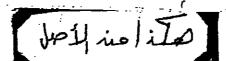
- 15 Fare from Robbe digitally:
 (7)
 16 Top of pimento not rich for pickle (6)
 19 Court card? (6)
 21 Cargo for heartless boatcrew (7)
 23 All-male race? That will not
- advance us (10)
 25 She takes the lead in dual
 carriageway (4)
 27 Flower of neat edge (5)
 28 No. 10 perhaps, in altered
- guise (4-5) 29 Colour of medicinal extract
- (6) 30 Plastered and pebble-dashed
- DOWN 1 Apartment needs craft to make it lighter (44) 2 Dear former spouse in a
- brown study (9) 3 A stone lifted reveals a fish
- (4) 5 Extended stride for ball easy

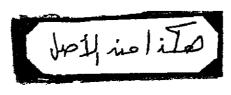
-this spinner relies on flight (4-6) 7 Land of penal reform (5)
- 7 Land of penal reform (5)
 8 No hush, it turns out, in this island (6)
 9 Team in favour of set pieces, perhaps? (6)
 14 Relaxing? Play snooker here in the Crucible (7-3)
 17 Having trouble with spelling? (3-6)
 18 Member horizontal in flight (5-3)
- (5-3)
 20 Turning muscle up and down (7)
 21 Ruddy state that has no end
- (7)
 22 Guide company (6)
 24 Wrestling for everybody at home? (3-2)
 26 Expert notes on this paper

Solution to Puzzle No.6,794

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Silitala Hamagem Lim -0.3 Europe Perf. | 59.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69.9 | 69. ### 1997 | Servicin Empirish Life Asses. Set. |
1997 | Servicin Empirish Life Asses. Set. |
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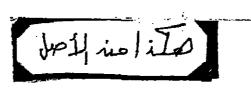
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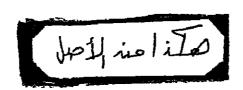
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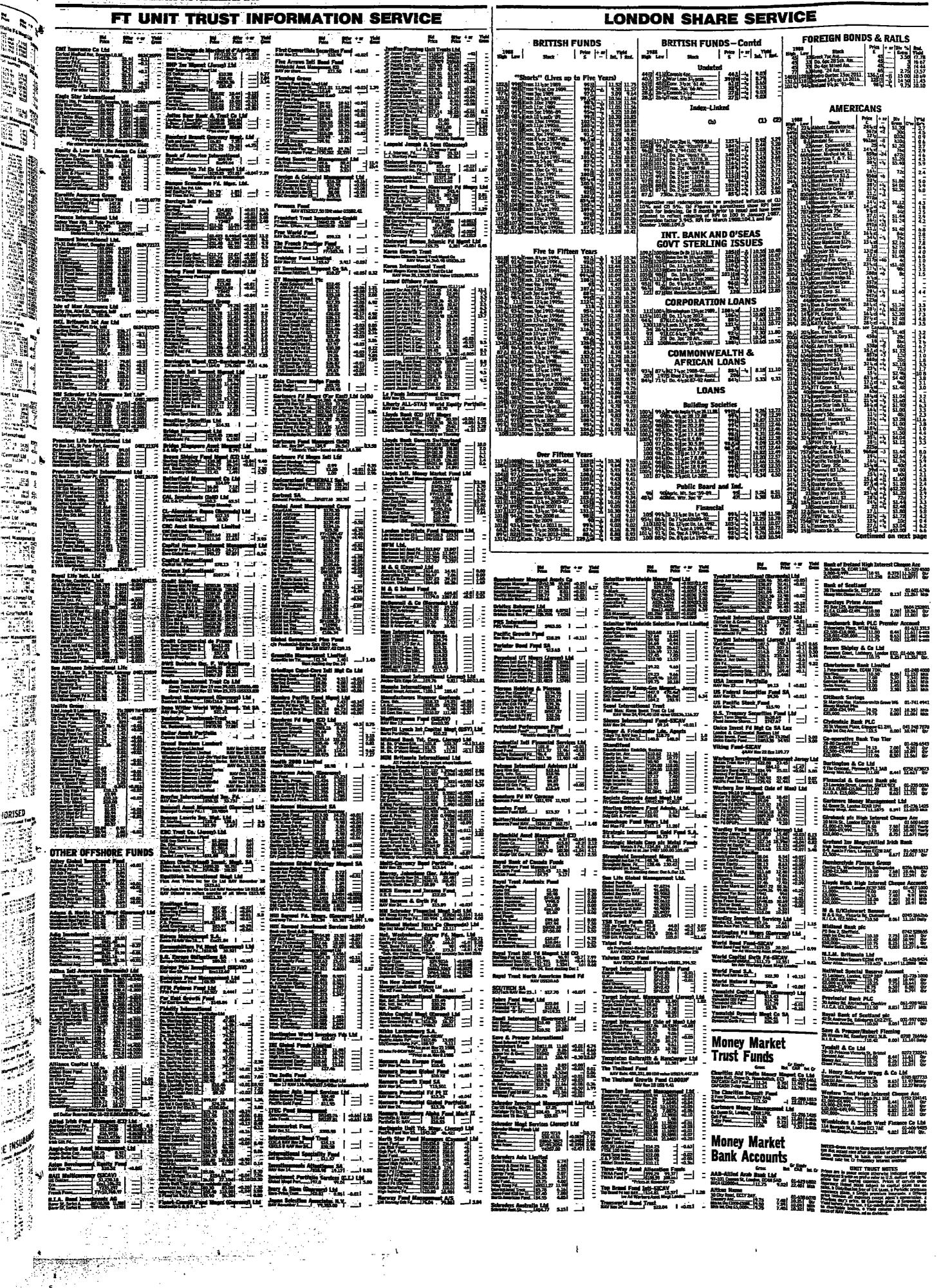
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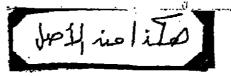




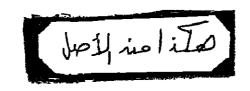
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	LONDON SHARE SERVICE	
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EUROPEAN OPTIONS EXCHANGE

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar hits record yen low Dealers said this could be FFrs.Sbn in August, compared interpreted as meaning that a with a revised at the compared

changed in subdued European trading yesterday, but underly-ing sentiment continued to point along a downward path. There was some intervention by central banks, but this was not regarded as aggressive, and appeared designed only to slow any decline.

Dealers were wary of trying to move the dollar too sharply. New York was closed for Thanksgiving Day, creating thin trading conditions and giving the central banks an opportunity to hit speculative short positions without too much effort, but there was no sign of any co-ordinated action by the surface of the surfa by the authorities.

The Bank of Japan bought

an estimated \$100m to \$200m in Tokyo at around Y121.15. This put a temporary floor under the dollar, but it soon fell below Y121.00 in Europe, touching a record low of

Y120.45. In thin and rather volatile late London trading the dollar made a partial recovery to close at Y120.90, compared with Y121.35 previously.

Remarks by Mr Kiichi Miyazawa, Japanese Finance Minis-ter, were regarded as somewhat ambiguous. He said the major industrial nations will continue to intervene in currency markets, to deal with

rapid and major movements. • IN NEW YORK							
Mon.24 Latest Previous Close							
£ Spot	1.8297-1. 0.50-0. 1.43-1. 4.80-4.	0.49pm 0.52-0.51pm 2.41pm 1.32-1.29pm					
Forward premiums and discounts apply to the US dollar STERLING INDEX							
	Nov.24 Previous						
8.30 am 9.00 am 10.00 am 11.00 am Noon	Mercener	7. 7. 7. 7.	2	77.2 77.2 77.2 77.2 77.2	_		

1.00 pm 2.00 pm 3.00 pm 4.00 pm		772 772 772 772 772	7/2 7/2 7/2 7/2			
CURRENCY RATES						
Nov.24	Bank rate %	Spectal ^a Drawleg Rights	European Currency Unit			
Sterling U.S. Dollar Canadian S Austrian Sch. Berlysin Fram. Danish Krone Destsche Mark Hech Gallider Fresch Franc Jappaser Yes Norwey Krose Speedish Presta Speeds Pract Speeds Franc Speeds Franc Speeds Franc Speeds Franc	72.00	0.748483 1.36920 1.64277 16.5851 49.4213 9.09992 NJA 2.65967 8.05911 1751.96 NJA 8.91075 154.857 8.25026 1.98250 1.98250 1.98259	0.657563 1.20728 1.44331 1.45792 43.4230 7.99404 2.07194 2.33682 7.07952 1539.89 1.46.045 7.83950 1.73789 1.73789 1.73789 1.73789 1.73789 1.73789 2.775392			

"All SDR rates are for Nov.23						
CURRENCY MOVEMENTS						
Nov.24	Bank of England Index	Morgan ^{eo} Guarasty Charges %				
Sterling U.S. Dollar Canadian Oollar Austrian Schilling Belglain Franc Dautish Krone Deutsche Mark Sets Franc Guilder French Franc Lica Yen	77.2 92.0 93.7 137.0 99.3 90.7 144.9 170.5 125.1 69.7 45.8	-153 -148 -25 +103 -53 -0.6 +22.1 +21.2 +14.3 -14.9 -20.2 +89.0				

Yes		255.1		+B9.0		
Morean Guaranty changes: average 1980- 1982-100. Bask of England Index (Base Average 1975-100P*Rates are for Nov.25.						
Nov.24			_	5		
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vention by the West German Bundesbank on the open mar-ket, but the central bank bought \$58m when the dollar

bought \$58m when the dollar was fixed at DM1.7168 in Frankfurt, compared with DM1.7225 on Wednesday.

The dollar closed slightly weaker on the day at DM1.7150, against DM1.7160. It also fell to SFr1.4370 from SFr1.4390, but was unchanged at FFr5.8650.

According to the Bank of England the dollar's exchange rate index fell to 92.0 from 92.2.

The French franc was sub-The French franc was supported by comments from Mr Pierre Beregovoy, French Finance Minister, who ruled out any question of accepting a

the EMS.

Mr Beregovoy made his remarks shortly before France announced a sharp deteriora-

realignment of the franc within

Frigorn in july.
The Canadian dolla
remained very firm, following
this week's return to power of
the Conservatives in the Cana
dian election. Dealers said th
Bank of England was seen t
sell the Canadian dollar an
buy US dollars several times i
London around mid-morning
This was assumed to be or
behalf of the Ronk of Canada

dollar threatened to fall below a technical resistance level of C\$1.1940.
The US currency closed at C\$1.1965 in London, compared with C\$1.1990 on Wednesday.
Sterling traded quietly ahead
of today's UK trade figures for
October. The pound's exchange
rate index closed unchanged at

and happened when the US

77.2.
Sterling lost 20 points to \$1.8355, and also fell to DM3.1475 from DM3.1525; to Y222.00 from Y223.00; to

tion in ing a c	its tra urrent	de po	sition nt de	n, post- eficit of	1	SFr2.637 bo FFr10	5 from .7650	n SF12 from F	2.6450 Fr10	r; and .7775.	1
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FINANCIAL FUTURES

Further small losses

seen in sterling interest rate contracts on the Liffe market yesterday. Volume remained low, with two factors dampen-ing enthusiasm in an already lacklustre area.

US markets were closed for Thanksgiving Day, bringing turnover in US Treasury bonds

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MONEY MARKETS FT LONDON INTERBANK FIXING (11.00 a.m. Nov.249 3 mounts US dollars

Slight easing

end of the London money market yesterday. One-week money eased to 11\frac{11}{11}\f Lawson, Chancellor of the Exchequer, underlined the fact that interest rates will not come down until inflation

shows signs of falling. A further rise in base rates is not considered out of the question, but today's announcement of the October UK trade

UK clearing bank hase leading rais 12 per cent from August 25 & 25

figures are unlikely to cause any dramatic movement. Dealers generally expect a deterioration from September's surprisingly good figures.

The Bank of England initially forecast a money market credit shortage of £400m, but revised this to £350m in the

afternoon. Total help of £329m was provided.

Before lunch the authorities bought \$85m bills outright, by way of \$25m bank bills in band 1 at 11% p.c.; 55m bank bills in band 2 at 11% p.c.; 55m bank 525m band 2 at 11H p.c.; and £35m bank bills in band 4 at 11# p.c. In the afternoon another £204m bills were purchased,

THERE WAS a slight easing of interest rates at the very short end of the London money market yesterday. One-week The Bank of England also provided late assistance of around

> Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £202m, with Exchequer transactions absorbing £35m, a rise in the note circulation £115m, and bank balances below target

> In Frankfurt credit conditions were a little tighter, as the market reacted to a higher than expected minimum reserve requirement for the banking system in November. The Bundesbank has set a minimum reserve requirement of DM55.2bn, compared with DM53.9bn in October. The market was expecting a figure of about DM54.5bn.

Call money rose to 4.40 p.c. from 4.35 p.c. on the news, but the market remained reason-ably well supplied with liquidity, following this week's allocation of funds at a securities repurchase agreement tender.
The authorities supplied DM18bn at the tender, draining only DM1.7bn, as two earlier agreements expired. It had been suggested the Bundes-bank would take more money out of the system, because of fears that foreign exchange intervention is pushing up domestic money supply

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LONDON MONEY RATES									
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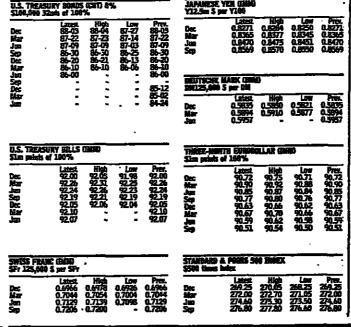
Agreed rates for period November 25,1988 to December 25,1988, Scheme 1: 13.07 p.c., Scheme 11: 13.07 p.c., Scheme

Liffe, and providing no catalyst for gilts to trade off. should have little impact.

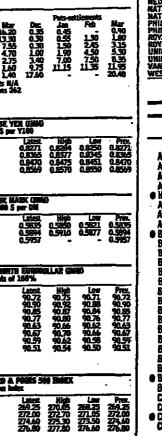
The other depressing factor for volume was today's announcement of the UK trade figures for October. The September trade deficit was lower than expected, but erratic items played a major part in the current account shortfall of only £560m. The October cur-

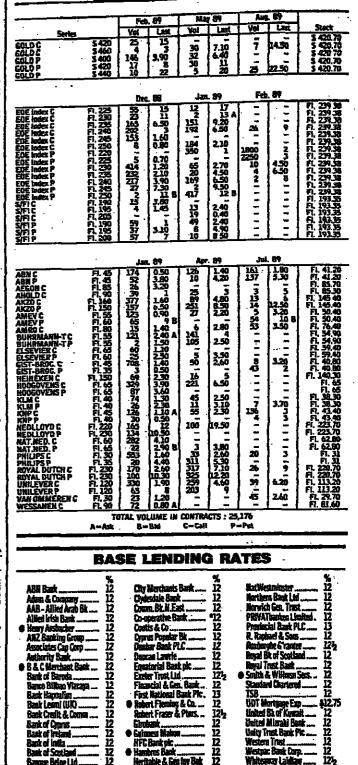
(A) 140 (A) 140 (A) 17 Estimated volume total, Calls 0 Pats 35 Previous day's open lot, Calls 1277 Puts 3218

Pats 4 120 0.45 0.55 1.50 1.90 7.00 11.15 1.30 2.45 4.50 7.50 11.35 Mar 0.90 1.80 3.15 5.30 8.35 11.95 20.40 Dec 0.35 0.30 0.30 1.00 3.40 9.75 17.50 1415 1115 625 315 245 105 Feb 0.29 0.58 1.01 1.64 2.40 3.52 4.93 16.20 13.30 7.55 4.70 2.75 1.60 1.40 0.16 0.24 0.49 0.90 1.62 2.54 3.95 11.30 7.20 4.20 3.05 1.65 CHICAGO 0.8250 0.8345 0.8451 0.8451



rent account deficit is expected to be around £1.2bn, but this figure is already built in to market prices, and if correct December long gilts opened at 95-25, and fell to 95-23, form 95-27 previously. March short sterling futures closed at 87.86, only slightly above the day's low of 87.85, and compared with 87.91 on Wednesday.





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FT LAW REPORTS

Defendant union not liable for costs

BARRETTS & BAIRD (WHOLESALE) LTD AND OTHERS V IPCS & OTHERS Queen's Bench Division: Mr Justice Henry: November 15 1988

WHERE AN order for costs in the cause is made on an inter-locutory judgment and the action is subsequently discontinued, power to order costs lies with the discontinuing judge; and if the case is discon-tinued not as an admission of defeat but because it has become academic, he may make no order for costs in respect of the interlocutory judgment if justice so requires, in that the general rule that the defendant is entitled to costs on discontinuance applies only when it can be equated with acknowledgement of defeat or likely defeat.

Mr Justice Henry so held when dismissing an appeal by the defendants, the institution of Professional Civil Servants and others, from Master Wald-man's decision of June 20 1988 to make no order for costs up to and including interlocutory proceedings concluded in November 1986 in an action subsequently discontinued on the application of the plaintiffs, Barretts & Baird (Whole-sale) Ltd and others.

HIS LORDSHIP said that the defendant fatstock officers were employed by the Meat and Livestock Commission, a public body. In 1984 they submitted a regrading claim to the MLC affecting their rates of pay. January 1986 came and they had had no definitive response. They had a ballot to see whether there was majority support for a one-day lightning strike. The ballot favoured industrial action. On October 8 1986 they held the one-day

lightning strike authorised by that ballot. The strikers' worked not at their employers' premises, but at abattoirs all over the country, so the strike caused no direct damage to the employers. The damage and inconvenience were felt by the abattoirs. The union balloted its mem-

bers for support for a further campaign. Seventy seven per cant voted in favour, and the union was authorised to call a campaign of one-day lightning strikes on consecutive days.

The plaintiff abattoir owners, threatened with the possibility of strikes on consecutive days, came to the court and sought interlocutory relief. On October 26 they were granted an interlocutory injunction. On November 17, after a full hearing on the interlocutory injunction, it was discharged([1987]

On November 28 1986 the dispute between the MLC and the fatstock officers was settled. The action, insofar as it sought injunctions, became academic, but pleadings were delivered and it dribbled on for about a year. On December 16 1987 the plaintiff abattoir took out a summons for leave to discon-tinue under Order 21 rule 3. Leave was granted by Master Waldman on June 20 1988. He made no order as to costs up to ion of the interlocutory proceedings, and rightly ordered that the plaintiffs should pay the defendant's costs in the action thereafter. The defendants appealed against the order, asking that they should have all their costs. The question was what should happen to the costs of the interlocutory proceedings culminating in the interlocu-tory judgment.

The order made on the interlocutory judgment was costs in the cause. At the time the new Order 62 regime in relation to costs had been in existence for six months or so. When a court was nearly sure that the successful party would be shown to be right at the end of the day it could make an order for costs in the cause. As the entitlement to those costs only occurred if judgment was given, where an action was discontinued with leave and judg-ment was not given, they fell within the jurisdiction of the tribunal hearing the application to discontinue, The new Order 62 was based on or consistent with the gen-eral principles laid down in Stratford & Lindley (No2) [1969]

3 All ER 1122 . Those general principles were basically that first the wide discretion under Order 21 rule 13 entitled the tribunal exercising that discretion to make what order it liked in respect of an order of costs in the cause; second, to make an order of costs in the cause was effectively equivalent on dis-

nance to the making of

order for costs is made at the conclusion of the cause or mat-ter . . . shall be entitled to his costs . . unless the court orders otherwise . Both of those principles were extracted from the case and

reflected in the new order. The court was bound by the rules in Order 62 rule 3(6) which told it to treat an order for costs in the cause on the lines of principles laid down in Stratford. The defendants referred to a note at 62/3/8 which dealt with Stratford. It concluded: "If a plaintiff discontinues, the general rule is that costs in the cause are the defendants." They said that the

meral rule should be applied

In most cases of discontinuance that might well be the general rule, because in most cases discontinuance was effectively a defeat or an acknowledgement of defeat or likely defeat. But it was equally possible that discontinuance reflected not defeat so much as that the matter had now become academic save for the question of costs.

The general rule should only apply when discontinuance could safely be equated with defeat or acknowledgement of likely defeat. The defendants' argument that the usual order should be made was rejected. The interlocutory judge's

order would only be determina-tive if there was a trial. If there was no trial the correct legal position was that his order would be ineffective there having been no determination of the cause, and costs would have to be considered by the judge considering leave to dis-continue. His jurisdiction would be unfettered.

Master Waldman rightly took the view that on the inter-locutory judgment the court had been doubtful as to whether the plaintiffs would succeed at the end of the day, and was pretty sure there would not be a trial. He made the point that the court was not prepared to give the defen-dants their costs in any event at that stage.

He was impressed by the weight the court had attached to an undertaking given by the defendants. A resolution had been passed empowering them to strike on consecutive days,

an order for costs reserved and the judge had given appre-["the party in whose favour an ciable weight to an undertaking not to call a strike on consecutive days. He said the judge had concluded there was nothing to justify an arguable case and had correctly expressed the opinion there would be no cause.

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It was a question for the exercise of discretion. The relevant factors were: first, that the plaintiffs had not been ordered to pay the costs of the unsuccessful interlocu-tory application, because the court could not be sure of the eventual outcome and could not in justice make the order. Second, there was a public interest in not forcing people to litigate over costs - that should be kept free for necessary rather than quasi-aca-

demic cases. If the general rule applied in all cases, even where discontin-uance was because the matter was largely academic, inevita-bly it would lead to more aca-demic or half-academic cases being contested simply to avoid the incidence of costs. Third, the most compelling factor dealt with the effect of the undertaking. It was the second ballot which authorised strikes on consecutive days. It was that threat that the plaintiffs focused on, and that was the basis on which they explained the proceedings they were taking. The undertaking withdraw the threat.

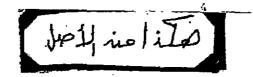
Those factors all pointed one way in the exercise of discre-tion. The master's judgment was right and reflected the jus-tice of the case, namely that there should be no order as to costs up to and including the interlocutory hearing on November 17, and that the defendants should have their costs thereafter.

For the plaintiffs: Paul Goulding (W Douglas Clark Brookes & Co) For the defendants: Stephen Rubin (Gasters)

> Rachel Davies Barrister

CORRECTION In *The Aramis*, FT November 22, the shipowners were represented by Nicholas Hamblen (Clyde & Co) and the cargo-owners were represented by Alan Pardoe QC (William A





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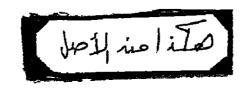
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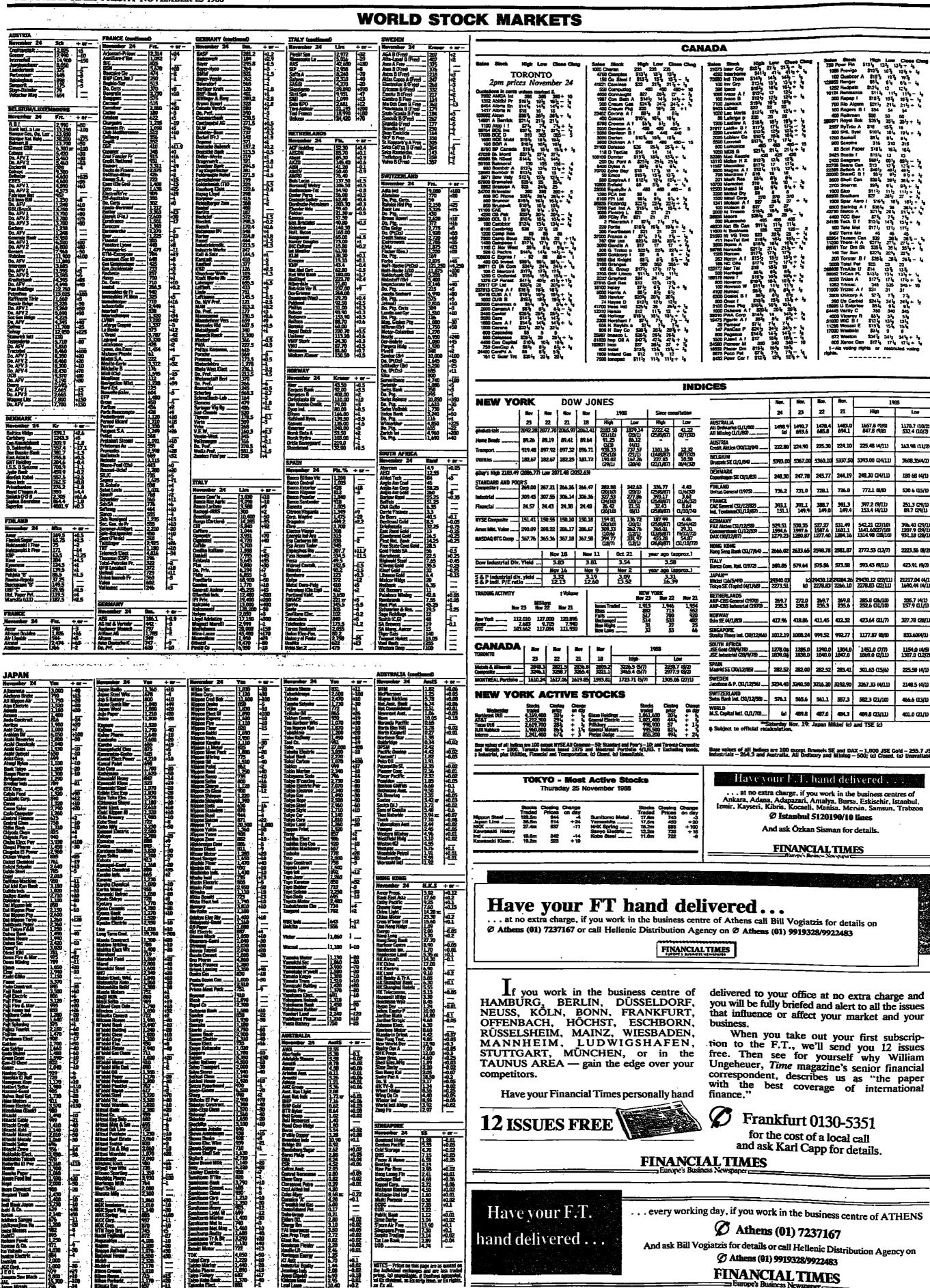
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FINANCIAL TIMES

EUROPE

Busy Zurich stands out as US holiday hits trade

THE ABSENCE of a lead from overseas with Wall Street closed left most European bourses drifting, with Zurich the busiest on continued repercussions from the Nestlé bomb-shell, writes Our Markets Staff. ZURICH remained very

active, with all classes of shares making up further ground. The Crédit Suisse index added 6.3 to 501.8.

Some analysts were baffled about where the buying was coming from, since foreigners were reported to have mostly left the market after bearer shares plummeted in the wake of Nestle's decision to open its registered stock to overseas investors. Some foreign buying did help Nestlé registered shares rise by SFr200 to SFr6,070, while its bearers gained SFr240 to SFr6,950. Nestle's move was seen as leading to the possible aboli-

tion of participation certifi-cates as a share class. Some pc's rose yesterday on the belief that any cancellation settlements would have to be made at a favourable price. Nestlé pc's jumped SFr70 to SFr1,225, Roche "baby" rose SFr275 to SFr12,100 in chemicals, and insurer Winterthur

gained SFr22 to SFr655. FRANKFURT took its lead from the weak dollar in the absence of Wall Street and cur-1.279.23. A low DM1.96n worth of shares were traded.

Two steel groups went against the trend. Mannesmann climbed 60 pfg to DM190.50 after forecasting "sig-nificantly higher" nine month profits growth, while Metallge-

ASIA PACIFIC

sellschaft advanced DM1 to DM340 on news of a DM180m rights issue and a DM2 rise in its dividend to DM8.

Insurer AMB fell DM8 to DM830 despite forecasting a 7.5 per cent jump in annual income to DM114m. AMB said it is planning further acquisi-tions to add to the 25 per cent stake it recently bought in

insurer Volksfuersorge.

PARIS had a firm start but then faded, leaving the OMF 50 index 3.1 better at 407.82 in turnover estimated to be simi-lar to Wednesday's low FFr1.5bn and confined to a few stocks.

Midi eased FFr15 to FFr1,595 as the takeover speculation of the last few days came off the boil slightly. But Société Gén-érale gained FFr10 to FFr555 after Mr Georges Pébereau, chairman of Marceau Investissements, had the resources to increase its 9.16 per cent stake. CGE gained FFr11.90 to FFr410 amid speculation of further reshuffling of the "hard core" of shareholders and

Elsewhere. Moulinex added FFr4.50 to FFr112 as the management buyout scheme moved a step closer, and Péchiney was up FFr10.80 to FFr280.80 after an analysts' presentation on Wednesday and the company's move to buy Triangle of the

MILAN edged higher in thin trade as demand for insurer Generali tailed off slightly. At the close the Comit index was up 1.21 at 580.85.

Bologna insurance group Unipol saw its preference shares climb L600 to L17,000 amid talk that Ferruzzi-owned insurer Fondiaria was buying the stock. Although Unipol's preference shares are widely held, the group's unlisted ordi-

trolled by a number of European co-operatives, most notably West German insurer Volksfuersorge.

Fondiaria recently acquired a 25 per cent stake in Volks-fuersorge, and the speculation is that Fondiaria hopes to use its influence with the West German group to put pressure on Unipol to list its ordinary shares on the Milan exchange - a move which would make it easier for Fondiaria to acquire

Unipol

STOCKHOLM made a strong start after Wednesday's rally on the tax reform proposals. But the market ran into profittaking which reversed gains towards the close and turnover was much lower at SKr264m compared with SKr444m the previous day.
Volvo continued active, with

more trading in its restricted shares, up SKr2 at SKr357 and available only to Swedes, than in the free shares, unchanged at SKr357 after reaching SKr362. "There's a feeling that something's going on," said one salesman

AMSTERDAM rose confidently before late selling on the weak dollar and losses in London pared early gains. The CBS all-share index closed up 0.4 at 98.2. The closure of Wall Street for Thanksgiving Day led to only moderate turnover. Royal Dutch Petroleum rose 50 cents to Fl 220.70 on hopes that Opec ministers meeting in Vienna will agree to limit oil

BRUSSELS saw strong demand for selected shares, as trading activity rose from recent low levels. The steady dollar and a small cut in interest rates provided encourage-ment. The cash index closed up

US airline issues finally get off the ground

Oil price news has boosted stocks, but the outlook is uncertain, writes Janet Bush

IRLINE stocks in the US, looking ripe for a rally after a tremendous year for the industry, finally found the trigger on Wednesday as the rest of the market was thinning out for yesterday's Thanksgiving Day holiday.

News from the Vienna meet ing of the Organisation of Petroleum Exporting Countries (Opec) that a full session of talks scheduled for next Wednesday had been postponed for a day sent airline stocks jumping.

UAL. the holding company for United Airlines, surged \$5% to \$105%, its highest level this

year, as hopes were revived that Opec might not be able to stabilise crude oil prices. While other carriers performed in less spectacular fashion, it was the first sign of life in the sec-tor in spite of a round of fare increases earlier this month. Airline analysts had started

to look on the sector favourably and UAL, in particular, benefited from reports from Morgan Stanley and Drexel Burnham Lambert, with the latter calling its shares signifi-

SOUTH AFRICA

GOLD stocks mostly moved in

a narrow range in Johannes-burg yesterday in thin trading. The impact of a slightly higher

bullion price was negated by a strong financial rand.

The holiday on Wall Street

also kept interest low, while a

report that consumer price inflation had remained unchanged in October had lit-tle effect.

In the gold sector, Driefon-

Elsewhere, the market also

tein lost 75 cents to R82.25 and

Ofsil rose 75 cents to R74.

The US airline industry is ading for bumper earnings

NYSE Volume

this year of between \$2.6bn and

\$2.7bn, compared with \$2.2bn in 1987, buoyed by healthy traffic volumes, low fuel prices with Opec in disarray, and a less competitive pricing envi-

The outlook for next year is a matter of dispute, partly because prospects for crude oil prices are uncertain and partly because there is concern about Mr John Pincavage, airline

analyst at Paine Webber, predicts that earnings for the industry next year will only match this year's at \$2.7bn. However, Ms Karen Firestone, who runs the Transpor-tation and Select Airlines Funds at Fidelity, believes 1989 earnings could significantly outstrip this year's, even if Opec does manage to bolster

up crude oll prices.
Although uncertain economic prospects put any fore-cast at risk, she believes earn-ings could rise to more than \$3bn and that some airline stocks could be undervalued by

as much as 25 per cent.

Ms Firestone predicts traffic growth of between 5 per cent and 5% per cent next year and, after the latest round of fare increases, has revised upwards her forecast for airlines' vield growth in 1988 from 1 per cent to between 2% per cent and 3 She believes the industry is

now acting in a more consoli-dated fashion after the fragmentation and bankrupting price wars in the period after deregulation and is fairly confident that the latest price increases can stick.

Successive fare increases early this year were reflected

Canada

ADVANCES by industrials, golds and base metal issues golds and base metal issues helped to push Toronto higher overall by midsession, in spite of falls in the energy sector. Rises in the Canadian dollar and the nickel price encouraged demand. The composite index picked up 6.3 to 3,252.4. National Bank of Canada, which announced a rise in its quarterly dividend from 16 quarterly dividend from 16

cents to 18 cents, was unchanged at C\$11%. Maclean Hunter, which received approval for its deal to acquire a block of Selkirk shares, slipped C\$\% to C\$12\%.

in sharp rises in shares. In the year to date, the stocks of the main carriers generally stand more than 30 per cent higher, but most of that increase came in the first six months, thanks to heavy traffic volumes over the winter and weak fuel

Shares usually reflect fairly closely fluctuations in fares, but this link did not seem to hold good recently when Continental set off a round of sub-stantial increases. It scrapped

ing worries over the country's chronic balance of payments deficit and the failure of the

inflation rate to go on falling.

Now, with cash rates driven

above 15 per cent, investors are

finding it more attractive to

put their funds into bank bills rather than equities, a shift

which reinforces the weak

Those who are investing in

trend in the share market.

chase tickets popular with business travellers and then raised prices on many MaxSavers used by leisure travellers. Northwest and United soon fol-

Ms Firestone estimates that the moves so far announced on fares could add around \$300m to the industry's revenues. Yet, even after Wednesday's price gains, the reaction to the fare increases has been less than dramatic.

Even as UAL railied, Texas Air and Northwest seemed a little stuck. Texas Air closed at \$14% compared with a 1983 high last month of \$17%, while Northwest shares closed at

Northwest shares closed at \$55% compared with the 1988 peak of \$56%. Mr Pincavage of Paine Webber puts this down partly to a malaise in the general market. "If it isn't a takeover stock, no one really cares," he said. He also cited some nervousness about higher oil prices next year and scepticism, based on the days of vicious price wars, that the latest round of price increases will stick. "We will have to wait until the deep, dark days of January and February to see whether traffic holds up."

Economic worries beset Australia

Chris Sherwell in Sydney explains why the market is languishing

COMBINATION of high domestic interest rates and concern about the international economy and world commodity prices has produced a languor in the Australian stock market that analysts feel is likely to continue into the new year.

The widely-watched All-Ordinaries Index fell back through the psychological 1,500 barrier the psychological 1,500 barrier on Thursday last week and finished yesterday at 1,498.9 after two days of slight gains. Though this is still significantly higher than its low for the year of 1,171, reached in February, it is well off its high of 1,570 on 9 August

of 1,657 on 9 August.

These two extremes in the index emphasise the way the Australian market remorselessly reflects international and domestic economic trends. Between February and mid-year, it was chiefly rising com-modity prices and evaporating worries about the post-crash economy at home and abroad which drove Australian prices

Also helpful was the Govern-ment's mini-budget in May, which cut corporate taxes and changed the way pension funds are taxed. The overall result was that the Australian share market outperformed those of most other developed coun-

position has reversed, and the market is now clearly underperforming for the same sort of reasons - namely, questions about the sustainability of commodity price and economic about the persistently buoyant domestic and world economies. The latter in particular

prompted a steady squeezing of government monetary policy. Earlier this month, the vice

tightened sharply amid grow-

equities, moreover, remain highly discriminating. The glory days of the paper-shuf-fling entrepreneurs are past, and even those with cash-generating core businesses, such as Mr Alan Bond, are having trouble attracting long-term

institutional support.

The equity investor's focus is now on blue chip companies with diversified productive businesses, strong balance sheets, good earnings prospects and franked dividends. At the same time, nervous-

ness is growing over the impact on corporate earnings of the strengthening Australian dollar and a probable downturn in the domestic

One broking analyst points out optimistically that the price earnings ratio in relation to current 1988-89 earnings is still a historically low nine times, but he admits investors are displaying caution. As another says: "Investors are only looking two to three months ahead. Further than that, all they see is black."
In this climate, life is become ing increasingly difficult for Australia's broking firms. Trading volumes are low, and a significant proportion is due to brokers' own principal positions. The question now is whether the market will see a turnround soon enough to pre-vent a shake-out. Few are hold-

ing their breath.

Profit-taking halts series of rises

Tokyo

THE LONG rising streak was finally broken yesterday as investors turned to profit-taking and sent the Nikkei average falling for the first time in nine days, writes Michiyo Nakamoto in Tokyo.

The index fluctuated

between a high of 29,479.10 and a low of 29,281.45 before closing 90.09 down at 29,340.03. Falls outnumbered gains by 505 to 411. Volume at 920m was lower than Tuesday's 1.16bn.

The TOPIX index of all listed stocks also retreated 5.32 to 2,273.51, but London trading saw Japanese shares advance as the ISE/Nikkei 50 index rose 5.91 to 1,862.63. : After more than a week of

consecutive gains "it was only natural for investors to take profits," said Mr Shin Tokoi of County NatWest Securities. had been concern recently that the market might be overheating and few were surprised that investors decided to put a brake on buying and earn some cash.

A slight worsening in the condition of the Emperor affected the market, and there was also anxiety over the possible outcome of the Opec meeting. The yen showed considerable strength again, closing at Y121.15 to the dollar, but there seems to be faith in the ability of central banks to prevent the dollar failing too sharply and that is restraining

currency worries.

Low-priced stocks, and those with specific incentives to sup-

NATIONAL AND REGIONAL MARKETS

Figures in parentheses show number of stocks

Australia (91

Austria (17)

Canada (125). Denmark (39) Finland (26). France (130).

Malaysia (36

Norway (25)..

Sweden (35)

USA (577)...

Netherland (38). New Zealand (25)

Singapore (26).... South Africa (60). Spain (42).....

Europe (2.008)....... Pacific Basin (680). Euro-Pacific (1.688)

North America (702)..... Europe Ex. UK (690)..... Pacific Ex. US (1886)..... World Ex. US (1886).....

port them, featured yesterday. Among recent laggards were shipping companies, such as Yamashita-Shinnihon Steamship, which rose Y20 to Y450 in heavy trading. Yamashita is one of only two issues on the TSE first section that is priced below Y500 now that Japan Line has passed that level. Japan Line was the second most heavily traded issue, advancing Y24 to Y514.

Other popular low-priced stocks included Nippon Carbon, a maker of artificial graphite electrodes, up Y100 at Y903. Tokai Carbon, which has risen sharply from Y650 in mid-November, gained another Y100 to Y1,070. Minebea, a maker of miniature bearings, added Y32 to Y1,030 and Hitachi Seiki, a big machine tool maker, advanced Y55 to Y1,020. Elsewhere, Sony rose Y50 to

Y6,220 on rumours it was inter-

ested in acquiring MGM/UA Communications, the US filmmaker and distributor. A newspaper report that the Soviet Union had approached Mitsubishi Motor Company and Suzuki Motors with a proposal to set up a joint venture to manufacture small cars for the Soviet market, lifted Mitsu-bishi Heavy Industries, Suzuki Motor and Marubeni Corp. Mitsubishi Heavy is the parent company of Mitsubishi Motors, which is not yet listed on the Tokyo Stock Exchange, and Marubeni is the trading house

involved on the Suzuki Motor side of the talks. Mitsubishi Heavy rose Y20 to Y1,020 and Suzuki Motor added

Y13 to Y722. Marubeni gained

WEDNESDAY NOVEMBER 23 1988

Sterling Index

75.17 87.37 107.54 69.66 153.74 114.15 140.10 88.77 57.69 101.03

95.36 123.59 110.89 63.29 114.17 88.51

149.65 127.39 88.90 81.41

Day's Change %

+1.57 +0.41 +1.47 +1.85 +1.02 +1.88 +1.02 +1.88

+1.0 +0.1 +0.4 +0.7 +1.0 +1.4 +0.4 +0.4

US Dollar Index

147.34 100.00 134.40 119.01

153.92 130.84 111.44 88.21 108.29 133.28 86.34 190.54 141.47 173.64

71.50 125.22 120.26 118.19 153.18 137.43 78.44 141.51 109.70

116.53

185.47 157.89 110.18

100.89 124.88 156.14 138.06 138.47

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Corrency Index

89.14

119,98 103,33 112,17 102,52 78,70 108,58 120,77,7 82,21 144,18 434,17 958,24 1107,68 94,81 130,78 69,98 114,17 109,70

99.78

143.18 1.5.94 109.32

90.98 105.62 125.01 120.43

Grass Div. Yield

4.65 2.41 4.336 1.49 3.216 4.75 4.75 4.75 4.75 4.75 4.75 4.85 2.48 3.24 4.37 4.37 4.37

3,71 0.73 1.62 3.69 2.99 4.64 1.69 2.06 2.28

99.31 133.84 118.92 151.73 129.92 110.13 87.51 106.73 105.73 190.54 139.86 134.36 109.13 70.58 121.73 116.66 153.57

76.73 140.02 108.92

99.89 123.10 155.59 137.50 137.84

Y15 to Y734 during the day but closed unchanged at Y719. Mit-subishi Corp, the trading house associated with Mitsubishi Motors, declined Y10 to Y1,220. Share prices were mixed in Osaka, with the OSE average up 20.60 at 27,172.94. Volume fell to 100m shares compared with 132m on Tuesday. Nichias, a maker of insulating material, rose Y220 to Y2,500 the strength of a new rial and property assets.

Roundup

FIRMER base metal and gold prices helped Australia maintain Wednesday's rally, and demand for property stocks again lifted Hong Kong in hec-

tic trading.
AUSTRALIA shrugged off a rise in the rediscount rate and the firm local dollar to post gains for a second day. Dealers cited Wall Street's strength, a 12% cent jump in the copper price overnight and firmer gold bullion prices as the reasons for the market's buoyancy. The All Ordinaries index was up 8.2 at 1,498.9 on turnover of 104m

shares worth A\$176m. The decision by the Reserve Bank of Australia to increase the rediscount rate from 14.9 per cent to 15 per cent was the 10th rise since July, but the move was expected, said dealers. "The market looks cheap after its nine-day fall so buyers felt it was the time to come in, although it would be wrong to say we have turned the corsaid one.

Among mixed industrials,

Pound Sterling Index

80.33 108.25 96.18

96.18 122.72 105.08 89.08 70.78 86.32 107.45 69.05 154.12 113.12 141.02

88.26 57.09 98.47

96.55 94.36 123.81 109.61

Local Currency Index

137.13 111.92 101.58 78.27 107.01 120.65 81.55 146.16 142.06 435.98 96.65 57.66 107.50

107.50 106.97 95.33 131.16 120.67 68.85 113.25 108.92

99.04

143.10 125.61 108.61 90.35 104.53 124.71 120.03

Lend Lease rose 15 cents to A\$10.40, BTR Nylex 8 cents to A\$8.64 and Elders IXL 3 cents to A\$2.80 in busy trade. HONG KONG kept the momentum of Wednesday's rises going as demand from local investors and overseas institutions lifted shares in the best volumes since mid-summer. The Hang Seng index gained 32.37 to 2,666.02 on turn-

er worth HK\$1.6bb. Demand for property stocks remained the force driving the market higher amid a wide-spread belief that the sector is undervalued. The Hang Seng property sub-index has risen 248 points in the last three sessions to yesterday's 4,307.

Trading was suspended in Bond Corp, Honkong-TVB and TVB pending an announce-ment. HK-TVB — the broadcasting group whose television interests were floated off to form TVB last week — later confirmed that Bond Corp was preparing to sell its 30.8 per cent stakes in the two TVB companies

SINGAPORE edged higher in moderate trading after Wall Street's gains and sporadic bargain buying had given the mar-ket its positive tone. The Straits Times industrial index rose 3.95 to 1,012.19 — off the

day's high of 1,015.95. Turnover rose to 23m shares. TAIWAN continued its technical correction after the strong rises of recent weeks, and shares closed sharply lower for the second day in a row. The weighted index fell 177.19 to 7,144.96 in volume of

1988 Low

111.11

119.88 101.96 81.53 121.40

99.50

99.71

137,12 122,19 99,79 86,25 91,63 121,74 112,32

111.42 106.78 72.77 67.78 84.90 104.60 62.99 133.61 107.83 90.07 95.23 64.425 97.99 98.26 130.73 120.69 74.13 120.69

97.01 130.81 120.36 99.78 80.27 87.51 120.26 111.77 113.26 100.00

1988 High

153,92 139,53 111,95 88,21 111,86 144,25 86,73 190,54 154,17 111,00 84,05 139,07 141,03 137,43 84,53 141,55 141,55

116.53

116.07 100.89 128.27 156.14 138.06 138.47

115.54

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93.29 149.90 127.24 88.52 80.80 99.56 125,84 111.22 111.49 90.80 100.76 125.98 111.39 111.72 91.35 119.54 105.26 2.29 | 137.71 The World Index (2463). 138.35 +0,5 111.62 119.83 111.38 119.37 | 138.35 | 113.37 | 113.12 Base values: Dec 31, 1986 = 100; Finland; Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local). Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited, 1987 Japanese market closed November 23.

Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES



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្រ ប្រធាន

Business travel and entertainment is a boom industry with spending in Britain alone expected to top

£20bn by the end of next year. David Churchill looks at how the needs of the traveller are catered for in the UK and around an

An industry in top gear

THE WORLDWIDE business travel sector is booming. Executives are increasingly taking advantage of the growth in international financial activity to travel extensively in the

ever-shrinking world

search of new business.

By the end of next year, according to figures from American Express, the total business travel and entertainment sector in the UK alone will be worth about £20bn making such spending worth about four times the amount spent by British companies on advertising and three times

what they spend on rates.

In global terms, the amount spent by the travelling business executive is estimated to be worth at least 10 times as much - about £200bn - as the amount spent by Britons on business away from home. The Economist Intelligence

Unit, moreover, also estimated in a recent report on business travel that the total number of international business travellers in 1986 was 34m, with up to another 120m involved in business travel within their own countries. · ·

More importantly, however, are the signs that the world-wide demand for business travel services will continue to grow into the 1990s. Four fac-tors are relevant: New Markets. As business becomes increasingly international in scope, no company will be able to rely simply on domestic markets for growth. • European de-regulation. The creation of the European single market in 1992 will inev-

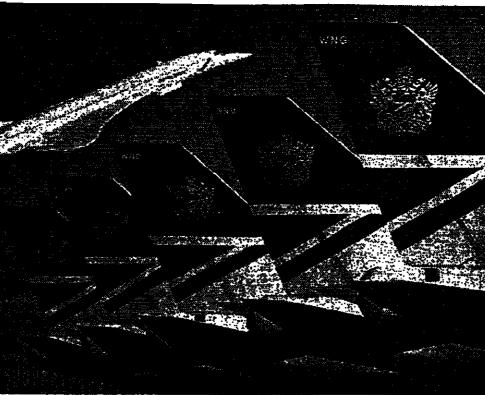
single market in 1992 will inevitably lead to greater travel within member states.

• Conference and exhibitions. The strength of demand for conferences and meetings of all types - as well as specialist within the conference of exhibitions - is one of the strongest segments of the whole business travel sector.

• Competition. Suppliers of business travel services - such as airlines and hotels - are increasingly recognising that the corporate customer often represents a better return than the low-margin leisure travel-

The twin pillars of the business travel sector are transport and accommodation which in the UK account for some 70 per cent of all business travel costs. Worldwide, the EIU estimates suggest that the importance of these two sectors is even more significant -accounting for almost 80 per cent of all corporate travel

The biggest revolution in moving business travellers in the 1980s has come from the



BUSINESS $R\Delta V$

belated recognition that execu-tives need to be looked after when out of the office. Not surprisingly, British Rail's Inter-City travellers can now expect a significantly higher level of service - including free maga-zines, better catering, and mobile phones in some cases than the captive commuter. But a decade ago British Rail

traffic has forced the airlines to improve standards. British Airway's £25m revamp of its Club Class earlier this year splitting its service into Club Europe and Club World brought its seats up to the standard of First Class of the early 1980s. Not surprisingly, it is now planing a revamp of its first-class accommodation early next year to restore the

where executives can leave it to an airline employee to park their cars - and improved check-in facilities. BA's success with its

revamped Club Classes has spurred rivals to upgrade their business classes as well. Cathay Pacific's Marco Polo business class, is being relaunched this month some seven years after Cathay travellers were really only the rather seedy commercial trav-ellers of yesteryear in another guise. Hotels in the 1970s and even into the early 1980s paid scant attention to the needs of the travelling executive - such as facsimile machines, telex, secretarial services, and spe-cial check-outs. Now, the world's leading

emed to be that business

of business travellers. The approach is to segment the hotels offer a bewildering array of lures to capture and retain the loyalty of business travel-lers - everything from personal-ised bath-robes to a butler can

> The reason, is that business travellers now make up more than half of the world's hotel

The buoyancy of business travel in the 1980s has been one of the key factors behind

Left: Concorde, the ultimate aircraft for the business jet-setter. Above: The Hong Kong Hilton and

the revival of the world hotel industry in recent years. The economic problems of the late 1970s and early 1980s, and unclear marketing strategy. left many international hotel chains in the doldrums. Yet the major international chains have developed policies based on the perceived needs

market, offering budget, 'no-frills' accommodation to those business travellers for whom a clean basic room with no extras (such as room service) at the lowest price is a priority.

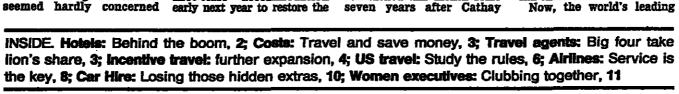
Similarly, other executives want greater flexibility than can be provided from traditional hotel rooms. Consequently, some hotel chains are

st one shift of the staff needed to run this top hotel developing all-suite hotels which offer one or two bed-rooms, a sitting room, kitchen than the leisure guest on food and beverages and, if their loyalty can be secured, they provide significant long-term busifacilities and work area.

The rejuvenation of the world's hotel industry as a result of the boom in business travel has led to strong demand for good hotel chains and sites. The Inter-Continen-tal hotel chain, for example, was sold by Grand Metropolitan last month for £1.3bn to the Japanese conglomerate Seibu Saison.

The optimism within the travel trade about the buoy-ancy of business travel in the years ahead will be reflected at the World Travel Market exhi-bition which starts next Tuesday (29th) at London's Olympia. About 2,000 delegates are expected to attend this annual event which, according to the organiser Mr Ian Robinson, "provides the perfect opportu-nity for business travellers to discuss their needs, face to face, with a whole range of suppliers all under one roof."





about attracting the travelling executive who did not want to travel by car or plane.

The major development for the travelling executive, of course, has been business class seating on airlines. Again, it seems hardly credible that a decade ago such a system was still largely in its infancy. Competition for business

differential. BA wants to ensure that the

business traveller is wooed with even more than just extra leg room. New computer check-in technology, is enabling it to target key travellers more closely .

Other efforts to woo the busi-less traveller include 'valet parking at major terminals -

became the first sirline based in Asia to introduce a business

class on its flights.

The wooing of the business traveller by the world's airlines in the 1980s has gone hand in hand with the belated recognition by hoteliers of the importance of executive travel. For too long the prevailing attitude in the hotel industry

be found. occupants. More importantly, they spend more on average

> THE NEW MARCO POLO BUSINESS CLASS

BUILT TO HELP THE CORPORATE BODY ARRIVE

IN BETTER SHAPE.

On July 10th, we invited Mr Burke McKinney, an International Marketing Executive to test the New Marco Polo Business Class.

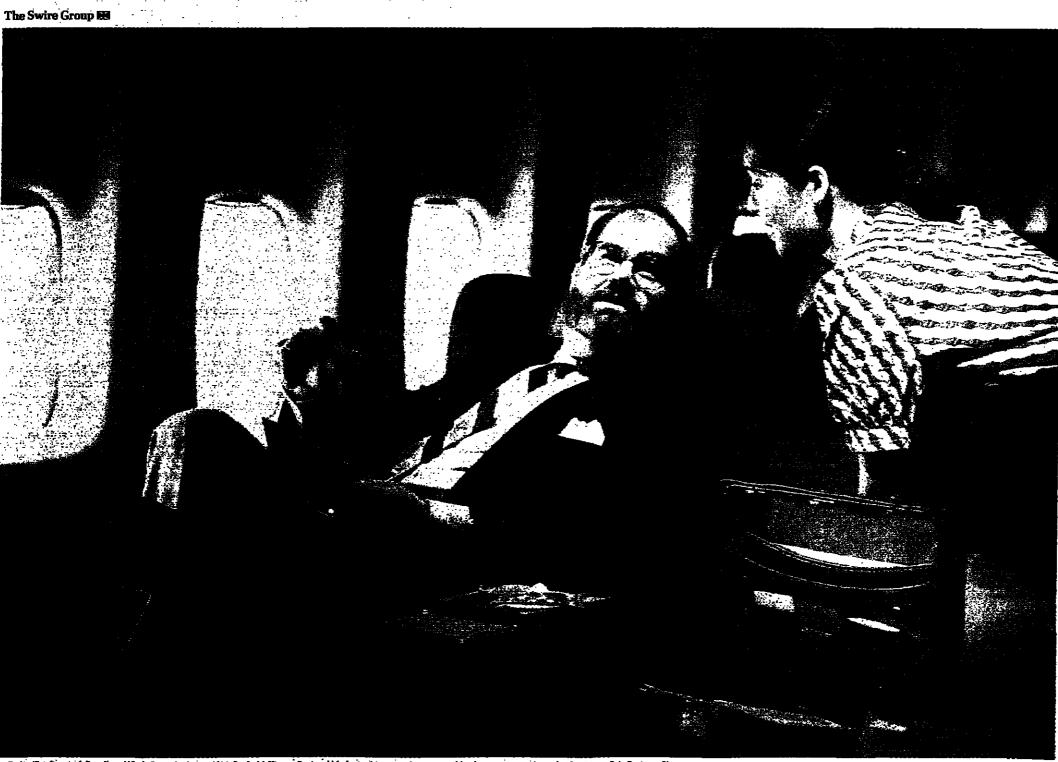
Mr McKinney flies over 100,000 miles each year, and as a frequent traveller, he was an ideal candidate.

The changes he saw are significant. A completely new environment. A wider, more comfortable seat, specially constructed to support both the head and the spine in a new seven abreast configuration. And, on long haul flights, foot and leg rests to enhance passenger comfort.

All these improvements met with his approval. But one thing pleased him more than anything else.

The fact that we hadn't changed our high standard of service.

He found it to be just as attentive, gracious and charmingly oriental as before.



Cathay Pacific gravefully acknowledges the participation of Mr Burke McKinney, Regional Marketing Manager of a major worldwide company, in terining the New Marco Polio Business Class.

Arrive in better shape CATHAY PACIFIC the next few years to capitalise

on the market potential.

Holiday Inn international is also developing a budget chain in the UK and continental

Europe, called Garden Court,

while Marriott has a moderate-ly-priced chain called Court-

yards and an economy one

called Fairfield Inns.
Trusthouse Forte, the UK's

leading hotel group, is setting up a national network of 100 Travelodge budget hotels based

on the motorway and major

managing director of the Horwath and Horwath hotel con-

sultants which has just pub-lished a major survey of international hotel occupancy,

says that one of the main reasons for the boom in budget

hotels was rising aspirations.
"Many business travellers

who want to keep costs down may have put up with the old-

style bed-and-breakfast accom-

modation a few years ago, but now they want something a lit-

tle better that is within their

price range," he says.

Berni Chef and Brewer

hotels, part of the Grand Met-

ropolitan group, is capitalising on this desire to trade-up by refurbishing its low-cost

accommodation to meet the

higher standards of the busi-

taining value for money prices.

Apart from luxury and bud-

get hotels, another segment identified by the hotel industry has been all-suite hotels. These

hotels, as the name suggests,

provide a hedroom or two, sit-ting room, and kitchen facili-

ties as well. They are ideally

suited to business travellers who want a base from which to

work and more flexibility and

freedom than a normal hotel

One of the clutch of all-suite

hotels being introduced into the UK is Embassy Suites, a

chain developed in the US by

travellers to the world's major

airlines has, not surprisingly,

has led to many airlines own-

ing their own hotel chain. Aer

Lingus, for example, last year

acquired the Copthorne Hotel group from British Caledonian prior to BCal's takeover by

BA, however, has tradition-ally eschewed owning its own

hotel chain, preferring to develop close links with inter-national groups — such as the

Marriott – for passengers who need hotel accommodation.

David Churchili

The importance of business

Holiday Inn.

British Airways.

ss traveller while still main-

Mr Jonathan Bodlender.

trunk routes.

Catering for the executive anywhere in the world is bringing its Ibis and Novotel budget hotels to the UK over

hotel industry over the past faw years - with the major international hotels chains much in demand - has been spurred on by the growth of business travel over the

Sustained economic growth in the western economies during the 1980s, and the potential for developing new markets in the Third World and Eastern European countries, have been key factors behind the increased demand for hotel accommodation from travelling

The boom in international hotels is demonstrated by the fact that between 1970 and 1986 the number of rooms offered by the top 20 international hotel chains almost trebled to reach 1.4m. Last year these same chains significantly increased their market strength by adding another 900 notels worldwide.

International business travellers of all types now account for over half of all hotels rooms booked a year - with executives accounting for up to 80 per cent of occupancy in some up-market hotels located in siness centres. The Mandarin hotel in Hong Kong, for Mandarin Oriental Hotels Group, is within walking distance of 300 major companies and therefore attracts mainly

business traveliers. The importance of business travellers to the hotel business is simple: they are a more consistent market than leisure travellers and are more willing to pay extra for higher-standard accommodation and in-hotel services such as restaurant and conference facilities.

But business travellers can also be fairly fickle when it comes to choosing their hotels - which is why the internathemselves to woo travelling

executives. Such incentives fall into several categories:

 Services are provided free. such as complimentary drinks, gifts, full breakfasts, and even personal butlers. The latter service is offered at any of the 27 Oberoi hotels worldwide to frequent guests.

Faster check-in and

check-outs for the busy executive. At the Vista International hotel in Pittsburgh, for examenables guests to daily monitor their bills on their te screen and check out with just

the touch of a button. Business centres enabling executives to work while out of hotel in central London, for example, has a business centre complex comprising three offices, two conference rooms,

lounge, reception, secretarial centre and reference library.

• Special deals for frequent guests. For example, the Hyatt Gold passport features more than 20 special services as well as extra promotions such as a chance to win a free holiday.

The result has been a segmentation of the type of hotels on offer, designed to meet the needs of different types of trav-

At the top end of the market, luxury hotels such as the Savoy Group, Regent Interna-tional, and Mandarin Oriental are all much in demand for the stay in style when travelling

Budget and economy hotels have become one of the fastest growing sectors of the hotel industry, not only in the US and UK but in continental Europe as well. The French hotel chain Accor, for example, is bringing its Ibis and Novotel budget hotels to the UK over the next few years to capitalise on the market potential. Holiday Inn International is also developing a budget chain in the UK and continental Europe, called Garden Court

The scheme is based on points awarded according to the amount spent in Hyatt hotels. Thistle Hotel's Trumpcard system not only offers special services for the traveller but by using it as a payment card

it enables companies to moni-tor travel spending as well While such incentives help encourage the frequent business traveller to stay loyal to particular hotels, the hotel

changing trends and require-

But hotel chains have identified more cost-conscious companies who are looking for business accommodation which offers value for money but without the frills of fivestar luxury.

Budget and economy hotels have become one of the fastest growing sectors of the hotel industry, not only in the US and UK but in continental Europe as well. The French hotel chain Accor, for example,

HOTEL TRENDS 1983-1987 (All figures in %)

	1987	1986	1985	1984	1983
Source of business					
Domestic	50.7	52.1	50.2	51.2	51.3
Foreign	49.3	47.9	49.8	48.8	48.7
Repeat business	36.2	37.2	40.0	38.4	40.3
Composition of market					
Government officials	4.1	4.4	7.1	5.3	6.2
Business travellers	36.0	38.7	38.3	42.7	42.1
Tourists‡	38.0	34.4	34.4	26.4	27.3
Conf participants	12.7	12.1	10.5	13.4	13.2
Others	9.2	10.4	9.7	12.2	11.2
Advance reservations Composition of advance reservations	83.1	84.2	82.7	83.4	84.1
Direct	35.4	36.6	36.0	38.4	39.6
Reservation systems Travel agents and	23.7	24.6	24.8	30.0	28.9
tour operators	29.9	27.9	27.7	27.0	27.2
Other	11.0	10.9	11.5	4.6	4.3
Ratio of travel agent commissions to room					
sales	1.4	1.5	1.3	1.2	1.3

PAYMENT METHODS

How to pay your way

AS THE race intensifies to supply better financial services for business travellers, technological advances are also bring-ing big changes in traditional payment methods. Plastic cards, electronic payments pro-cesses and automatic cash dispensers are transforming payment systems for business

people on the move.

Even so, the traditional twin pillars of travel financing cash and the travellers cheque - have proved remarkably resilient to change. A decade ago, most business travellers would set off with a wallet of travellers cheques, whereas today there is increasing dependence upon credit cards and charge-cards to pay for air-line tickets, hotel and restau-

While \$20bn will be spent by Britain's business travellers this year on travel and enter tainment, the largest slice -some 62 per cent - goes on air fares, followed by 28 per cent on accommodation and the rest

on entertainment. Worldwide hotel receipts which amounted to \$1400n last year were paid for with a mix of cash, plastic cards and tradi-tional travel vouchers. Figures from Stanford Research Insti-tute show that \$43bn (30.7 per cent) of hotel payments in 1987 were made in cash, while \$42bn (30 per cent) was paid by credit card and \$32bn (22.9 per cent) was made in corporate and

other payment systems. Although cash is still king for many travellers, currency restrictions (especially for larger amounts) and the subsequent lack of security are some of the drawbacks with cash, says Richard Cullen, the head of product development with Visa International

Even so, among West German business travellers, for example, cash is used for 21 per cent of hotel bills and 49 per cent of meals within Europe; while outside Europe, West German business travellers pay cash for 12 per cent of hotel bills and 19 per cent of meals, according to a study last year by Lafferty Business arch for MasterCard.

A survey this year by Ameri-can Express, the charge card and financial services group, showed that 94 per cent of 771 companies surveyed give cash advances to enable executives to pay for some of their travel and entertainment.

Despite cash advances and the use of travellers' cheque and charge cards, some 44 per cent of companies expect employees to fund at least part of their expenses and then reclaim them later, says the SULVEY. American Express believes

that business travel cash advances are inefficient and costly - its answer, not surprisingly, is for companies to use a charge-card system. Eurocheque, the multi-cur-rency travellers' cheque which is now accepted at banks in 22

countries, allows users to write



With plastic, cash is available almost anywhere

out amounts backed by a cheque guarantee card in local

The Eurocheque system was originally launched by banks from the Benelux countries and West Germany. In West Germany and the

UK, plastic card payments are now probably the fastest grow-ing sector - "66 per cent of busi-ness expenditure at hotels and restaurants is paid for by plas-tic card," says Richard Cullen of Visa. "It is generally per-ceived that plastic is widely

Companies need flexible business travel systems tailored to their individual requirements, says Neil Pirie of Thomas Cook, who notes that there is a stronger trend today to identify the needs of

corporate customers. Visa, with 175m card holders worldwide, has come a long way from the single card concept and has adopted a strategy of market segmentation. For example, the Premier card is targeted at affluent and active card-holders. Services

The traditional twin pillars of travel financing cash and the travellers' cheque - have proved remarkably resilient to change.

acceptable, easy to use and

safer than cash.
"An added attraction for card-users is that currency exchange rates are calculate at an interbank rate, rather than the less favourable consumer rate," he adds.
Visa card-holders, for exam-

ple, can obtain a cash advance at 160,000 bank offices in 157 countries. The network also operates an increasing number of automatic cash dispensers -30,000 worldwide with 13,500 in Europe. Other international ATM networks are operated by American Express, Master Teller and US-based groups such as Cirrus, Discover and

While the business travel payments systems is fiercely e. especially among such card-leaders as Visa, MasterCard and Access, Amex and Diners, no one product is ever going to take over the whole market, says Richard Cullen - "the way forward is to offer a complementary range of products which serve the needs of travellers, travel agents, service providers and banks – with a focus on global

acceptability."

offered with this card are a minimum spending capacity of \$5,000 and a minimum of £150,000 in travel accident insurance.

These products, together with Visa travellers' cheques and travel vouchers, enable expansion into the travel and entertainment area. These travellers' cheques, introduced in 1979, and issued in 13 different currencies, are now claimed to be the second larg-est and fastest-growing travellers' cheque in the world. Thomas Cook, the pioneer in travel money, introduced the

in 1874. Today, the group has 1,500 offices in 144 countries, while Thomas Cook Financial Services, TCFS, claims the lers cheques - over 125m are used each year - although these form only part of the travel money mix.
Status has long been a part

of the appeal of financial service suppliers. Thomas Cook offers the Carte D'Or travel club for senior executives -benefits include up to £2,000 travel debit facility at Thomas Cook and Wagon Lits offices,

together with free accident insurance, membership on request of the Hyatt and Inter-Continental hotels VIP chile. Hertz car hire discounts and free passport and visa facili-

Benefits from Thomas Cook's Frequent Traveller card include a \$50 personal cheque cashing facility, \$19,000 accident insurance and car hire

One of the latest TCSF devel opments is the Smartcash card, a development of the travellers cheque in the form of a smart card' incorporating a micropro-

The European currency that (Ecu) travallers cheque - the brainchild of TCFS - is useful for the traveller who is constantly crossing the frontiers of Europe. The Ecu is based on a basket of currencies in ECmember states.

In a recent survey of Ecu-cheque users, the European-minded Belgians came highest with almost 49 per cent, followed by the Dutch with 32 per cent; the Italians, 8 per cent; the French, 9 per cent.

But Spanish buyers accounted for a mere 2 per cent, while the British were only marginally ahead of West Germany, accounting for 0.8 per cent and 0.5 per cent,

respectively. "Our findings indicate that either British business travellers have a remarkably hostile attitude to the Ecu and Europe in general - or they are simnot aware of the benefits an Ecu cheque can offer them," says Mr Jim Kane of Thomas Cook's Corporate Sector.

Business travellers prefer travellers cheques to any other form of international payment, according to a new survey commissioned by Thomas Cook.

In an independent survey of 359 senior executives from Britain's larger companies, 37 per cent said iravellers cheques are their first choice in travel money. Credit cards came next with 28 per cent and foreign currency third, with 21

Seven per cent of business travellers lose their travel money abroad each year, but there are no difficulties replacing lost travellers cheques, claims the report. Losses, when they happen, can be considerable — nearly a quarter of business travellers spend over \$500 per trip abroad on expenses and entertaining.

The surge of new plastic cards for business travellers also include notel privilege club cards which offer benefits such as preferential reservations, rapid check-in and cheque-cashing facilities. Some have a point system, allowing members to redeem club points against travel costs and car rental services.

Michael Wiltshire

WEST GERMANY

Boom time for hotel industry

EUROPEAN BUSINESSMEN involved in international trade often find themselves dealing with West German companies either as customers or competitors. As the world's leading export nation and second largest importer, behind the US, Germany plays a central role in international business.

The West German economy has grown at a 3.5 per cent rate this year, far exceeding expectations and ranking 1968 as the best year of the decade. Business travel is also benefiting, with international business travellers common in every major German city. Part of that has to do with the spread of industry throughout Germany, with the leading car manufacturers and chemical companies widely dispersed across the countryside.

A recent survey by the Emnid Institute revealed that an estimated 3.6m West German business travellers accounted for 68m domestic trips plus 5m trips abroad. That works out at 17.5 trips a salesman a year, and 46 per cent of them included one or two overnight stays.

That helps account for the

hotel building boom throughout West Germany. Even Bonn has three hotels being built, and it still ranks as a small town on the Rhine. However, it can still be impossible to find a room in a city when a trade fairs is being held.

Hanover's annual industrial trade fair in April attracts more than 400,000 visitors, and room rates go up at least 20 per cent but private accommodation, costing about DM50 a night, is often favoured by

long-time fair visitors.

Even the biggest hotels persist in charging higher "trade fair rates" which take advanhair rates which take advan-tage of the limited supply and excess demand. Munich's Hit-ton Hotel, for example, charges DMZ72 for a single room and DM342 for a double during trade fairs. The same rooms cost DM174 and DM228 at other times of the year.

The local tourist information office can usually turn up a more reasonable alternative in an outlying suburb, with many hotels providing a shuttle bus to the fairgrounds.

Frankfurt am Main, also known as "Mainhattan" because of its skyscraping bank buildings, is a natural

bank buildings, is a natural entry point, thanks to its central location. The airport handles more than 100,000 passen-gers daily. There are indeed 12 West German airports with both international and domestic flights.

A new regional airline, Asro Lloyd, has just started a ser-vice to some of Germany's major cities, with prices about 10 to 15 per cent less than Luf-thansa. But the national car-rier provides the most frequent and comprehensive service, linking Germany to 160 cities worldwide. All major interna-tional airlines fly to Germany. One of the nicer things about

the sprawling Frankfurt airport is the convenient railway station located beneath the main terminal. The gleaming yellow-and-white Airport Express train operated by Luf-thansa swooshes along the rails four times daily between the Frankfurt and Dösseldorf

stations in Bonn and Cologne. It is arguably the quickest way from city centre to city centre.

And rolling along the scenic rail route along the Rhine is a good way to see Germany and

its castles anyway.

Another option is to catch one of the German National Railways (Bundesbahn) trains which also stop at the airport.

The EuroCity and InterCity trains all offer and interCity and interCity and interCity and interCity and interCity trains. trains all offer first and second-class rates, with everyone meeting in the central dining car. With 22,000 trains operating daily and more than 2.2hn passengers carried annually, the Bundesbahn knows its business.

Actually, instead of just get-ting from A to B, executives can also arrange to meet their colleagues on the train. Four-and more riding together can arrange for a special conference room, where meetings can be held while you roll on to the next stop.

But executives from neigh-

bouring countries often drive over. Brussels is about 2% hours west of Bonn. Another 90 minutes farther south is Frankfurt.

convenient way to get around. But a word of warning to those tempted to drive over; cruising

along an Autobahn at speeds easily topping 100 miles an hour is not necessarily the best way to arrive relaxed. And the amount of traffic mixed in with some rain and fog can make a

trip along the Autobahn a real survival adventure. Remember German executives are firm believers in punctuality, with five minutes early much preferred to five minutes too late. The Friday afternoon early exodus is also common, especially in Bonn where most government offices close by 14.30.

But for certain minor irrita-tions, business travellers find

it very easy to get around and do business in West Germany. In a country where most peo-ple still pay cash for every-thing, credit cards are making a concerted attack. But when dining out it is best to have Deutschemarks along. Other-wise, your restaurant selection in some cities can be rather limited.

Newcomers might find the local Chamber of Commerce (Industrie und Handelskammer) helpful in arranging rankfurt.

Driving is usturally the most meetings with local businessmen and in general finding onvenient way to get around.

The content of way to get around.

Hotels worldwide: Frankfurter Hof, Frankfurt

Retaining that distinctive air

THE Frankfurter Hof is the Grand Dame of Frankfurt's hotels. Its sweeping front entrance has actually been closed off, with guests now rate as some of the better eating establishments Frankfurt's hotels. Its sweeping front entrance has actually been closed off, with guests now entering from a less imposing side street. But the sitting room-like lobby offers a nice refuge from the hectic hustle of Germany's financial and healting centre.

and banking centre.

The hotel first opened in 1876 and retains a distinctive air despite being part of West Germany's Steigenberger chain. With four restaurants, two bars, 38 suites and 360 rooms, the guest has everything he or she needs. The hotel's central location makes it the best bet for business executives. Most of the major banks are within easy walking distance.

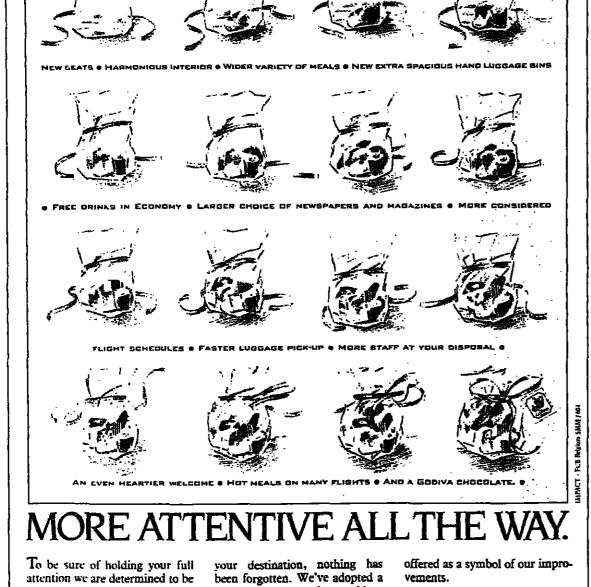
The hotel provides a full range of in-house

in town. Its Roofgarten is a popular meeting

place for business lunches.

In the lobby, with its couches and chairs arranged around coffee tables, a piano player contributes to the soothing atmosphere around tea time. For location and service and ambience, it is the best business hotel in Frankfurt. Address: Bethmannstr. 33, D-6000 Frankfurt 1,

Tel (069) 21502. Prices: single w/bath, DM315; double w/bath, DM430; presidential suite



more attentive than ever. We have therefore spared no effort in upgrading our quality throughout our European network, on the ground and on-board our Boeing 737's. To help you discover just what comfort can mean. Coupled with an even more caring service than ever before.

From check-in to arrival at

totally new approach to achieve more comfort and more space. For you and your luggage. So you can save precious time.

Our new policy in a nutshell: welcome, comfort, gastronomy, choice, space and timing. And that's only the beginning. The little things that mean so much. Such as a Godiva chocolate



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Michael Walls

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TRAVEL AGENTS

Big four take lion's share

evolved primarily out of the original shipping representatives and today command the like their companies going down the implant route as it travel market. In the UK four major multiples - Hogg Robinson, Thomas Cook, Pickfords Business Travel and American Thomas Cook warries "When the more switched on managers don't resist and see it as a positive step." Mr Donaldson, of Thomas Cook warries "When the more switched on managers don't resist and see it as a positive step." Mr Donaldson, of Thomas Cook warries "When the more switched on managers don't resist and see it as a positive step." Mr Donaldson, of Thomas Cook warries "When the more travel managers don't like their companies going down the implant route as it puts their job at risk but the more switched on managers don't like their companies going down the implant route as it puts their job at risk but the more switched on managers don't like their companies going down the implant route as it puts their job at risk but the more switched on managers don't resist and see it as a positive step." It is their job at risk but the more switched on managers don't resist and see it as a positive step. Express - account for almost half of all business transac-

The market has polarised into the majors because of the nature of the business travel market; a fast-changing envi-ronment that requires huge capital investment for new technology - particularly with the new computer reservation systems (CRSs) coming on stream in the next 12 months in tandem with the sort of manpower that can access the information in minutes. In contrast, independents find it hard to compete with such muscle. By virtue of their size the multiples usually come up with a more price competitive product and enough local branches to make it a personal service.
"Suppliers favour business

The multiples have all travel centres, geared

travel agents," says Mr John

to the frequent business traveller.

Watson, divisional director, London, for Hogg Robinson.
"Airlines have limited resources so they limit their callings to multiples and they

callings to multiples and they have set up their communications so we get hold of any changes quickly, sometimes it's three or four times a day.

"I can pull on 400 people in London if necessary and I have an electronic mail system so I can have a message out to all staff in a matter of minutes."

The multiples have all developed specialist operations, BTCs (business travel centres), geared to the frequent business traveller. Thomas Cook has 60 in the UK, Hogg Robinson 43 and Pickfords has about 55. Each of the majors offers corin the UK, Hogg Robinson 48 and Pickfords has about 55.
Each of the majors offers corporate room rates at hotels all over the world, confirmed reservations, route rebates with arrilines, visa and magnerate is used a budgeting times." Each of the majors offers cor-porate room rates at hotels all over the world, confirmed resairlines, visa and passport units and airport meet and greet service. Thomas Cook even has its own business centre at Heathrow's Terminal 2 which it owns and operates.

which it owns and operates.
They all, also provide an analysis of how much has been spent and where and in this sense have broadened out to become more like travel consultants. The buzzwords today are travel management service. They also go one step further by offering implants for cli-ents. The running of the travel department is then theirs, leav-ing the travel manager to undertake the more primary roles of forecasting, budgeting

and cost control. and cost control.

Such a move is only justified by high levels of travel, say a minimum of 2500,000 a year. Dedicated agency staff are then able to work much more closely with the client company.

pany.
"We know we can give a bet-ter service with an implant," says Mr Brian Donnelly, development director at Pickfords

Business Travel.

Pickfords has 30 implants in the UK, Thomas Cook, 36 and Hogg Robinson 62. There are a couple of disadvantages with an implant, namely that it is difficult to make viable if the commany is based in a major company is based in a major city where the price of office space is at a premium. While the cost of the implant is not part of the company's overhead it does have to provide space' and facilities for them. Secondly, an implant could pose a potential security risk.

evolved primarily out of the original shipping representatives and today commendation.

Mr Watson of Hogg Robinson also points to another hazard:

"Some travel managements to another hazard: Thomas Cook warns: "Where there's a fragmented relationship in the company's travel arrangement, i.e. perhaps the chairman's secretary makes

> Nevertheless, companies spending substantial sums of money on travel - who invariably have a full-time travel manager - frequently like to feel that their agent is on site. It allows consultation and responsiveness that cannot be

the decision, it's difficult to get a good implant relationship."

long tradition of implants, 25 years in fact, is Shell. Managed by Pickfords for the last three years, the Shell Centre wields a travel budget of £8.5m a year for about 8,500 staff who travel extensively around the world, while at Shell Mex House, there is an additional £2m travel budget covering about 2,500 employees who travel mainly in Europe and the UK.

Over the years Shell has become more and more reliant just as ticket providers, the implant has gradually released more Shell staff to go about their normal business. "The main point is that we can get tickets at the drop of a hat, so to speak," says Mr Jim Thomas, travel manager for Shell Centre. "It's the most cost effective way of handling

travel ticketing for Shell, that is air fares, rail and car hire. booked direct. Pickfords pro-vides monthly management reports, principally on its spending on air fares. "It's a 50-page document which splits

istration to work there has to

They all provide an analysis of how much has been spent and have become more like travel consultants.

be a formal, written travel policy for employees to afhere to.
At Shell it clearly defines the
class of travel for every
employee who is entitled to
business class travel and Shell is fairly liberal in this area as it doesn't really use Economy class - or a class A car or a room in a five-star hotel. A business travel agent can help companies formulate such a policy then help to mon-

advice is the bedrock of a business travel agent and is what sets it apart from the general high street travel agent. In the future, though, this type of management information may probable evolution is a situation where the client may pay a fee for his business trave he pays fees to other profes sional advisers to day, Bill Jones, sales and marketing director of Hogg Robinson

Business Travel.

How to travel and save money entertainment expenses is becoming increasingly sophis-ticated in terms of technology,

Controlling the costs

travel, date of travel, and desti-

It's not a surprising trend when you consider that such spending is probably the third largest controllable expense listed in companies' annual report and accounts and will exceed £18bn this year and £20bn by 1990, twice the amount paid in corporation tax and three times the amount

Most company's annual travel bill will split 55:45 on air fares/hotels and many compa-nies concentrate on improving their purchasing power in these two areas. In addition, there are hidden cost like cash advances, cheque processing, administration and tracking down overdue expense claims that are worth keeping a closer check on in a 1987 study on business travel and entertainment expense management by American Express it posed the question, "How many companies, know exactly how much money is outstanding in cash advances at any given time?"

Computers have simplified the paperwork involved with travel purchasing. Any company spending over £250,000 a year on travel would benefit from monthly management reports that business travel agents or credit card/charge card companies can provide. These can show a company's travel spend in many ways but chiefly by departments, name of traveller, mode and class of

Europe there are now the

you and your car to the

continent. Above is Captain Clive Wood master of the

Pride of Calais and in the

background is her sister

"The issue is to track what's been used against what's been offered," explained John Donaldson, managing director of the corporate sector at Thomas

Separate air fare savings reports will show whether travellers are travelling within their class entitlement as laid down in their company travel policy. So often, it's 'oh, I'm flying long-haul so I'll upgrade to Business class.'

"Air fares have a greater opportunity for savings, says Mr Brian Donnelly, development director at Pickfords Business Travel. "If you plan trips more in advance you can take advantage of cheaper APEX tickets or rationalise travel into one carrier and thus negotiate a route deal. More than 100 trips to particular des-tination, particularly to the US and long-haul in general, will give you between 3 per cent to 5 per cent discount. Third world carriers are particularly keen to do it so too carriers on competitive routes like London/Atlanta or London/Dallas,"

says Donnelly. If you're trying to cut annual accommodation costs then hotel bed night reports will show, for example, that executives aren't making enough of been negotiated, which means missing a saving of around 10 per cent, or that they are stay-ing in a too wide a range of

"A financial company in the City, reviewing its travel cost after the October crash last year, brought us in to save costs in over 20 destinations they were staying in", cites David Witham, director of Hogg Robinson's Hotel Service. "In New York, where the company had a large presence, they were using 32 hotels. Had they put all their business into one hotel, the InterContinen-tal, they would have saved

£30,000.

"All the top brass were given carte blanche but were rationalised down to six hotels in the city; two deluxe, two middle of the road; and two budget."
Obviously, small amounts of business being done with lots of hotels is no good to any of the establishments. But rationalisation, the customer becomes a bigger customer and therefore rates can be guarant. therefore rates can be guaran-teed and probably a better rate

Most of the multiple travel agents have linked with US consortia or travel product wholesalers who, in turn, offer global coverage of hotel accom-modation and, through booking millions of room nights a year, can pass on better-thancorporate rates. AT Mays has

links with Hickory, Hogg Rob-inson with Woodside - offering rates on over 14,000 individual hotels from a database of 55,000 hotels - and Pickfords with TTI for example With one call to for example. With one call to Cooks' Hoteltech, over 5,000 hotels can be accessed at cor-

hotels can be accessed at corporate rate.

Centralisation is one of the
key mechanisms used to control travel and entertainment
expenditure. "Clients can save
more money by control than
discounting," reckons Mr
Edwin Ackers, managing director of Thomas Cook, Hoteltech.
"Up to 40 per cent per annum,
can be saved by virtue of carefully looking at clients' needs."
This particularly relevant in a
multi-location company. "Often rms particularly relevant in a multi-location company. "Often there is no communication between the divisions of the company of the negotiated deals but it can be rectified once the client has recomised." once the client has recognised the size of the opportunity,"

says Ackers.

One simple form of control is to issue a limited purchase card for travellers to use. In the aforementioned Amex survey it was revealed that some 42 per cent of the sample (771 UK companies all with 25 or more employees travelling more employees travelling abroad in a 12 month period) issue such a card.

Charge cards, for example, do away with the need for the accounts department to issue several cheques, instead, cash

flow is eased as the entire bill can be paid with one. It also stops thousands of invoices stops thousands of invoices pouring through. And instead of the company paying the travel agent direct for bookings made on its behalf, usually against invoice (within 30 days on average) all travel is charged to a central charge card account in the client comcard account in the cuent com-pany name and held by the travel agent. This often extends the credit period by up to 60 days an this alone can save one per cent off the travel bill according to Diner club

and Amex. For the traveller, a charge card means supplementary insurance and a cheque cashing facility which negates the need for carrying cash. Senior executives may be

more profit conscious than ever before but suppliers still feel that they are not exploit-ing fully management informa-tion they have at their finger tips. "It's not the vast majority of companies that request the information as the majority can't find management time there's too much striped paper, says Mr Donnelly. Major manufacturing indus-

tries and new business sector concerns like finance, banking and advertising, are heedful of such matters but in other areas of business, there's still a long way to go. "As we get to know companies we find out how seriously they want to save money on travel and entertain-ment," says Mr Donaldson. "Some will go to enormous lengths, it depends on the phi-losophy of the company."

Gillian Upton



Black tie reception. Carriages 7.30 am.

"Good morning sir. A little on the damp side today.

Ah yes, your usual place by the window.

Coffee?

The Continental or Full English Breakfast today, sir?

Perhaps some chilled grapefruit to begin. Porridge is not to your taste if I remember correctly.

Fried egg. Would that be with mushrooms, tomatoes and bacon?

More toast?

More coffee?

Yes. The telephone at the end of the compartment is free just now.

Yes. Dinner is served on your way back.

(I can recommend the Sole Maître d'Hotel with a Mâcon Villages).

Yes. The Pullman Lounge at Leeds is entirely at your disposal.

Yes. The Dales do look rather spectacular at this time of year.

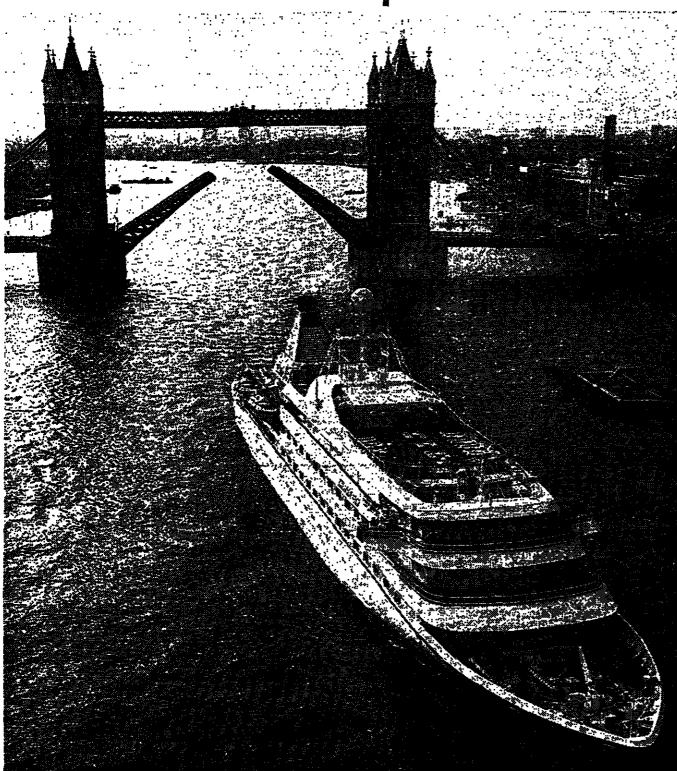
Yes. The orange juice and hot towels are, of course, complimentary.

Yes. We shall be arriving in five minutes."

Yes, when you've sampled the First Class service on any of the nine Pullman routes, you do feel rather good.

At least 20 per cent of international business travellers are on their way to or from a conference or exhibition

Incentive trips sector set for further expansion



Perhaps the ultimate in incentive travel: the See Goddess ! which can be chartered for about £30,000 a day

IMAGINE AIR TRAVEL WITH THIS CONVENIENCE.

ONLY ONE AIRLINE HAS THAT SORT OF IMAGINATION.

AT LEAST one in every five international business travellers is travelling either to a non-corporate conference or exhibition or on an incentive trip. Domestically, the percentage is much greater - some trade estimates suggest up to half of all business travel is conference or incentive travel.

Accurate figures, however. neetings and incentives sectors are poorly researched and suffer from a problem of defini-tion. Many so-called confer-ences, for example, are nothing more than thinly disguised incentive trips. Similarly, many meetings held in hotels throughout the world are really conferences but, because they involve staff from one multinational company, they are not classed as such.

Basically, the three main

markets are: Incentives: Organised incentive trips for UK companies are estimated to be worth some £280m this year in terms of the amount spent and demand is so buoyant that it is likely to grow to reach an estimated value of over £400m by 1990. Exhibitions: Spending by the 10m people who visited a

UK exhibition last year was estimated at about £500m, although the newly-formed Exhibition Industry Federation is carrying out new research into the size of the market as a matter of urgency.

• Conferences: The UK market for organised conferences

is worth at least £900m a year, according to figures from the British Association of Conference Towns. On an international basis the Union of International Associations (UIA) reports that the

number of meetings held by international governmental and private-sector organisations was about 6,742 in 1986, split fairly evenly between the

age of 50 delegates per meeting, private sector meetings had an average of more than 400 participants per meeting.

The buoyancy of husiness activity throughout the world in the 1980s has been the main reason for the boom in conference and incentive travel. Companies increasingly have believed in the importance of making contact and exploiting new markets - especially in the Third World - as well as recognising the need to motivate key staff with the lure of exotic

Intelligence Unit, which has recently researched the market, "both in the US and in Europe all indicators show that

The UK now has several purstripping the economy as a whole."

For Americans, Hawaii, Florida, the Caribbean, and California are the favourite shorthaul incentive travel destina-

For Britons, France and Spain are the top destinations - especially because of their

The buoyancy of business activity throughout the world in the 1980s has been the main reason for the boom in conference and incentive travel.

Mr Dick Batchelor, marketing manager for the British Tourist Association said: More and more companies worldwide are using travel to motivate their staff.

"Britain is now the favourite European travel destination for American companies, and is becoming increasingly popular with European and Australian organisations."

Incentive travel as a motiva tional tool for executives really only started in the 1960s as commercial air travel was developed. Nearly nine out of every 10 US companies who use travel as an incentive only

began doing so after 1960. Within European countries who use incentives, travel is increasingly becoming more important: comprising about 40 per cent of total spending on sales incentives in the UK and well over half in France and West Germany.

accessibility - although longhaul trips to Florida, the Carlbbean, and the Far East are proving increasingly popular.

The UK incentive industry has benefited from setting up of the Incentive Travel Associ-ation which has recently pro-duced a code of conduct setting out the financial and other cri-teria that members have to provide to belong.

The code requires companies, among other things, to achieve specified financial ratios and a minimum level of capitalisation. This tougher proach followed the collapse approach followed the carried of two leading incentive travel specialist operators last year.

The buoyancy of the conference and exhibitions businesses in the 1980s has highlighted a shortage of top-class facilities in the UK which has sometimes meant the loss of large, international events. However, investment in

spending on incentive travel is pose-built, 2,000-plus capacity growing at a faster rate than conference centres. Some nine that on the overall incentives of these - at Brighton, Bourne-market, which in turn is out mouth, the Barbican. Wemmouth, the Barbican. Wembley, Harrogate, the Birmingham NEC, the Royal Centre at Nottingham, Cardiff St Davids and the Scottish Exhibition Centre at Glasgow - have set up a marketing consortium (called the British Conference and Exhibitions Centre Export Council) to promote their interests worldwide.

Yet there is also a growing trend towards smaller conferences and exhibitions and there consequently is a demand for these type of vennes, especially located near to sirports and major railway sta-

Country house hotels are increasingly being used for this purpose. "Country house notels are filling the gap in the market created by many senior executives who demand stylrural surroundings, small meeting rooms and discreet service, and are away from the overcrowding of so many other conference centres," says Mr Michael Yeo, marketing officer for the Pride of Britain market-ing consortium of select country house hotels.

But growth in the conferences market is not just com-ing from senior executives who want to travel away from it all: the boom in training among companies of all types in the 1980s has created a huge demand for suitable venues.

Similarly, the exhibition industry is also experiencing a surge in demand for the smaller and more specialist exhibition, often targetted to a particular business group in a specific area or region.

David Churchili

Off the beaten track

When deep-fried scorpions are on the menu

ASKING your Chinese hosts to arrange a contract-crowning banquet on your behalf is a mistake that Jack Davis will

only make once. The pièce de résistance, dark brown, salted, deep-fried in oil, and horrendously expensive, was a vast dish of scorpions. Whole scorpions. To be eaten with the fingers – "in fact, they didn't taste as awful as I expected, though the Chinese idea that they are aphrodisiac passed me by," he recalled from the doubtless dull but familiar surroundings of his head office in Hull, in Britain's east Midlands.

Jack Davis, marketing and sales director for the conveyor belting division of J.H.Fenner, has spent the greater part of the last decade slugging his way around China. The luxury and glamour that so many associate with international business travel are a far cry from the grim realities of securing two technology transfer contracts on the Chinese

From a first visit in 1979, as a member of a British Rubber Manufacturers' Association mission to China, Jack has travelled tens of thousands of miles across the mainland - and at 56, he has battle scars to show for it.

Like the overnight railway journey to Yichang, almost 2,000 miles up the Yangtse River in Hubei province, in temperatures well over 40 degrees Celsius, where the preoccupation was less a matter of what you ate than of what ate you "T woke up in the morning smothered in red bug bites."
In hotels, endemic water shortages

often meant that supplies were limited to an hour in the morning and two hours at night. Rats were often the only companions in hotel rooms: "It's hard to sleep at first, but you get used to them, gradually."

"During one negotiating visit to Yichang in winter, it was freezing, and there was no heating in the hotel where the talks were taking place. I was wearing a hat and anorak indoors to keep my body heat up, but we were so cold we couldn't cope.

Eventually, the Chinese got us huge cotton padded overcoats, like peasants wear in the fields," he recalls, noting that this experience was not quite as awful as the combination of flu, and temperatures around minus 20 celsius that left him hallucinating throughout the critical final stages of contract

negotiation in Peking. The reward for these months of "exotic" travel was a major contract to build a factory in Yichang to make fire-retardant conveyor belting for China's mining industry. J.H.Fenner is a world leader in the manufacture of such beiting, producing more than 1,000 miles of the

stuff last year. The company opted in China for a technology transfer deal, selling the manufacturing plant, rather than a joint venture or a deal to supply belting from outside the country — inside China, life is so difficult, and joint ventures so new, that you are better off to get the cash up front if you can," he comments.

The view appears to be vindicated by the fact that today, a year after the the factory was commissioned, it has hardly operated because no Chinese ministry is willing to budget foreign exchange for the polymers that have to be imported from Japan to provide the fire-retardant coating for the belts. J.H.Fenner was warning China's coal mining ministry of this problem from 1983 when the contract was first signed. If they had been a joint venture partner in the project, they would now have been watching a substantial foreign investment

haemhorrage away.

There is almost no level at which disaster cannot strike while doing business in China. Jack Davis' experiences are typical of those suffered by thousands of foreign business executives who are so often imagined to be "swanning it"

around the balmy Orient. Air travel, as well as train travel, provides a multitude of nightmares. When Jack Davis waved goodbye at sam to his hosts in Yichang after finally sealing his company's first Chinese deal, he

expected to be in Canton, and heading home through Hong Kong, before dinner that evening. After two numbing days at Yichang airport, at temperatures below zero, without food, and without information about what on earth was going on, his hosts arranged for a van to carry him the five-hour drive to Wuhar

the capital of Hubei. A punctured tyre and 10 hours later, he arrived in the middle of the night in Wuhan, battering at the bolted doors of a dank hotel before finding anywhere to sleep. It took a further day of battling for air tickets out of Wuhan before he finally got airborne for Canton and Hong

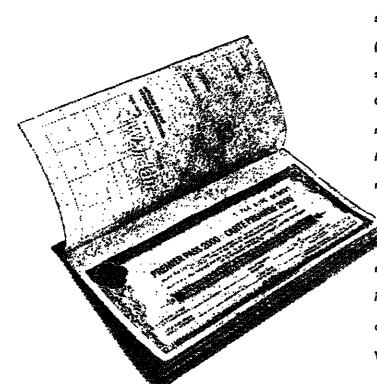
Kong.
"There were times I thought I would "There were times I thought I was not get home for Christmas - it was wonderful to fly into Hong Kong, into the modern world again. "And as for the time I lost my Lufthansa air ticket out of Peking...what a nightmare...I now staple air tickets to

"So China is not the best country in the world to do business in. In February this year, when I left after the last contract was signed, I thought "Thank God!' - but by now, I miss it. Strange, isn't it? Maybe its something to do with satisfaction coping with the hardship. he muses — noting at the same time that the "hard underground work" of visiting China's mines is now passed on to

subordinates younger than himself.
"People back in the UK sympathise, and say it must be horrible, but I don't think anyone who has not been to China can really comprehend," he notes Instead, the folklore will continue to have him basking in five-star luxury, tippling champagne dispensed by doe eyed oriental air hostesses, or dictating memos with a pink gin in one hand in a deck chair under the shade of a palm tree. Perhaps not a lot can be done about

the folklore — but Jack Davis, for one, is not going to be caught a second time with deep-fried scorpion.

David Dodwell



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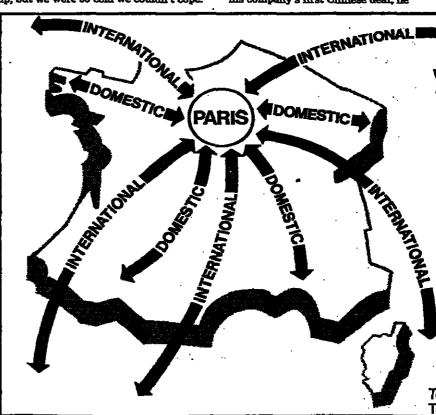
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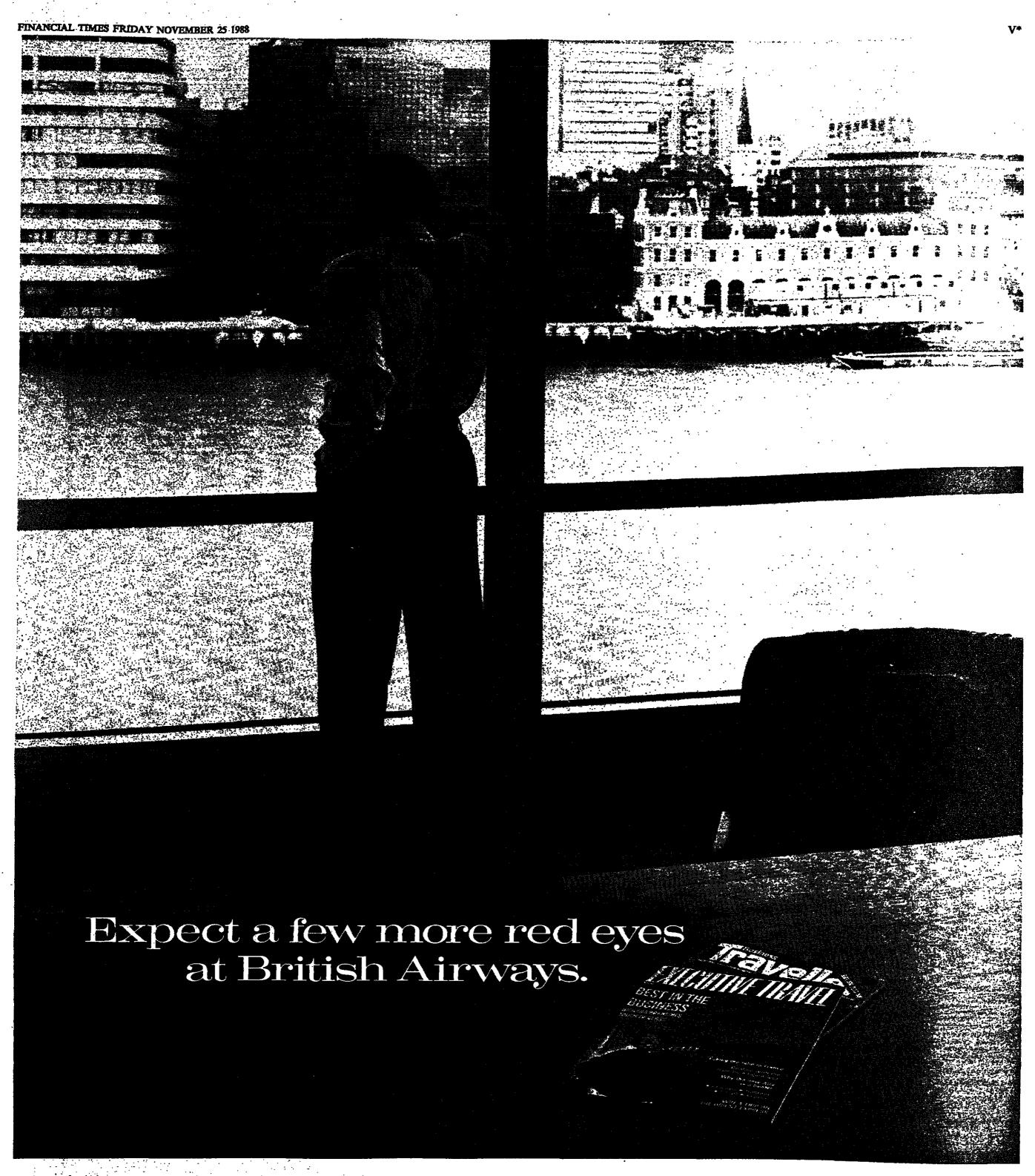


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Award ceremonies are always emotional occasions.

Especially if you don't win.

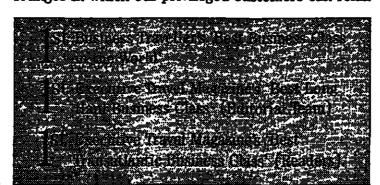
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Hotels worldwide: The Carlyle, New York

An oasis of calm in a maelstrom

IT IS hardly original to admit to a fondness for the Carlyle Hotel after all the attention and accolades it has garnered in recent years. According to both Courvo-isier's Book of the Best and Institutional Investor's Annual Hotel Guide, it is the best hotel in the US. And the Carlyle is the only five-star hotel in the city in Mobil's well-regarded US travel guide.

Such effusive praise is enough to leave one grasping for negatives. But they never materialise. The Carlyle is special - an oasis of calm in the maelstrom of New

This is no business hotel in the Hyatt sense of cavernous convention rooms and and very much part of the Carlyle's

charm. There are only 180 rooms for what the hotel's publicity department describes as "transient" visitors. The rest of the 500 rooms are for long-term residential guests, and the overall sense is one of a cosily

stuffy gentleman's club. Rooms are designed to be lived in rather than being strictly functional. Thus, while there is a desk with telephone (with three lines) in each room, there are also comfy chairs complete with standard lamps, reading lights over the baths (most of which are fitted with Jacuzzi jets), high quality tape-deck stereo systems and video-recorders in each room. Useful bathroom items such as hair dryers, shaving mirrors and scales are discreetly tucked away under the sink.

The Carlyle's low-key approach is popular with visiting celebrities. Among the stars in the hotel's firmament are Jack Nicholson, Walter Matthau, Jack Lemmon Pearl Bailey, Sidney Poitier, Johnny Carson, Sam Shepard and Jessica Lang.

Nancy Reagan stays here during unac-companied New York shopping sprees. (The hotel is too small to accommodate the full force of the Reagan security con-

Room charges range from \$225-\$280 for a single to \$245-\$300 for a double.

The Carlyle (35 East 76th St, New York NY 10023; phone (212)744-1600; fax:

US TRAVEL

It pays to study the rules

ACCORDING to Alaska Airlines' Conditions of Contract' (a compendium of airlin rules, in all their minutiae), the carrier has the right to refuse to fly "persons who have an offensive odour (such as from a draining wound or

as from a training would or improper hygiene) or have a contagious disease."

This regulation, obscure as it may seem, is less a nod to the makers of deodorants than a necessary measure for transporting the wounded or ill from remote parts of America's northernmost state to better hospital facilities in Seattle, as the airline regularly does.

The rule is just one indica-tion of the complexity of negotiating the unregulated skies of America – an endeavour which sometimes seems to require the tactical know-how of Napoleon and the patience

of Robert the Bruce. With each airline determining its own rules and regulations pertaining to everything from liability for damaged baggage to boarding rules, there is little to guide the air traveller. The cautious business traveller may find that it pays to look into more than comparative fares when planning a trip to

Overcrowding of the run-ways and skies is the chief problem facing travellers of America's airways. The prob-lem is widely recognised by interested parties from consumer groups such as the Avia-tion Consumer Action Project to the major airlines them-

In a speech to the Royal Aeronautical Society, Mr R.L. Crandall, American Airlines chairman and president said: There is a deplorable lack of capacity caused by inadequate air traffic control systems and insufficient airUS AIRPORTS WITH HIGHEST PERCENTAGE OF ON-TIME ARRIVALS

Airport	Total
1. Dallas, Fort Worth	90.8
1. Danas, Fort Words	89.5
2. Phoenix, Sky Harbor	89.1
3. Las Vegas, McCaran	88.7
4. Miami International	87.8
5. Tampa International	
6. Philadelphia Int	87.4
7. San Diego, Lindberg Field	87.2

US AIRPORTS WITH LOWEST PERCENTAGE OF ON-TIME ARRIVALS

Airport	Total
1. Detroit, Metro Wayne City	69.0
2. Minneapolis/St Paul	8 0.1
3. New York JFK	80.3
4. Memphis International	80.4
5. BNewark International	81.4
6. Chicago O'Hare	81.6
7. Pittsburgh Greater Int	81.7
	US Tremeport Departm

port facilities."

He added that "the world's overnments — including the U.S. Government – are failing in their duty to build and sus-tain the infrastructure needed to accommodate aviation

While safety in the skies remains the most discussed consequence of this congestion, the way in which it is likely to affect the business traveller on a day-to-day basis is in the form of delays. According to an extensive American Expresss survey of 1,600 companies, government and educational organisations, flight delays were considered to be the single largest cause for concern among 90 per cent of the com-panies surveyed.

Here, at least, it is possible to plan ahead. The U.S. Department of Transportation pub lishes monthly statistics of the on-time arrivals for airports. airlines and individual flights. According to the figures for September, the best place to change planes is Dallas, Fort Worth, where 90.8 per cent of all flights for the month arrived within 15 minutes of the scheduled time. Conversely, Detroit's Metro Wayne City airport is best avoided, if possible, as only 69 per cent —

or just over two-in-three - of flights landed on time. As a rule of thumb, it pays early in the morning. The like-lihood of a flight scheduled between 6am and 7.59am arriving on time is over 90 per cent.
At New York's John F. Kennedy International airport

(JFK), an hour can make a huge difference - 97.3 per cent of flights slotted in from 8am and 8.59am arrived on time. Between 9am and 9.59am,

however, the figure fell to just 74.1 per cent. Flights slated to land between 6pm and 8.59pm were the most likely to be delayed, overall. As few as 66.6 per cent of arrivals due at Chicago's

O'Hare between 7pm and 7.59pm were on time for the month. More than 90 per cent of arrivals at Phoenix, on the other hand, were on time at the same hour. If every minute is crucial,

most travel agents and airlines have the previous month's on-time performance data on com-

determining its own regulations over almost everything, there is little to guide the traveller

With each airline

puter for most flights and can compare the performances of various airlines.

Opting to fly into the smaller airports can also save considerably on time. Airlines eke the maximum mileage out of the minimum number of planes by scheduling a large number of flights to coincide at their hub centres. This means that connections are easily made between flights on the same airline. But the end result is often chaos, as planes wait on tarmac for empty berths and thousands of passengers in transit rush through crowded

By flying into Chicago's Mid-way airport, instead of O'Hare, for example, or Los Angeles' Burbank airport, instead of Los Angeles International, much of

FLIGHT ARRIVALS IN THE US

Percentage of flights in the US arriving less than 15 minutes after scheduled time

Scheduled time	Total %
6:00 6:59am	91.4
7:00 - 7:59am	90.3
8:00 - 8:59am	85.1
9:00 - 9:59am	84.2
10:00 - 10:59am	85.4
11:00 - 11:59am	83.2
12:00 - 12:59pm	84.3
1:00 1:59pm	87.0
2:00 - 2:59pm	88,1
3:00 - 3:59pm	85.4
4:00~4:59pm	84.7
5:00 - 5:59pm	84.1
6:00 ~ 6:59pm	82.6
7:00 - 7:59pm	80.7
8:00 ~ 8:59pm	81.8
9:00~9:59pm	83.7
10:00 - 10:59pm	86.3
11:00 - 5:50am	87.7

the rush can be avoided. Major hubs include St. Louis for TWA - Kansas City for Bran-iff - Chicago (O'Hare) for American and United – Atlanta for Eastern and Delta – Houston and Denver for Continental and New York

(JFK) for Pan American. The Federal Aviation Administration (FAA) is not oblivious to the need for reform and will be spending \$16bn in the next decade to revamp the system. Of that, \$3.6bn has been set aside for new IBM computers to replace the current crop, most of which date from the

It is hoped that the new computer will result in fewer runway delays as controllers will be able to handle more planes more effectively. The first computers will not begin to be replaced until 1992, however, and the full system is not due to be on-line until 1995. And with air traffic expected to double by 2010, few experts believe computer equipment alone will solve all air traffic

The FAA believes that it is crucial to add to the existing airports by constructing several new air fields. However, the subject is fraught with controversy, since few communi-ties welcome the idea of an airport in their midst. As yet, the sites remain undecided

FAA funds have also been earmarked for an overhaul of the varous radar systems, including the installation of Doppler radars which will be able to detect wind shear. Remaining funds are expected to be allocated in due course.

BRITISH RAIL INTERCITY

Sector shows a healthy growth rate

INTERCITY, the express flagship of British Rail, has about 10 per cent of the UK business travel market, and claims its market share is growing by about 7 per cent a year in real terms.

The figures are more impressive than they appear at first glance, since up to 85 per cent of business travel is by private car rather than competing mass transport systems such as the airlines. Business travel accounts for

about 35 per cent of InterCity turnover - around £250m last year - and is highly profitable, especially since half the total revenue is from first-class passengers.
With an eye on the other two-thirds of this market,

InterCity's marketing manager Mr Mike Lancaster is at pains to deny that BR has any inten-tion of turning itself into a "railway for the businessman". But there is no doubt that British Rail is paying increas-ing attention to the business traveller, especially since Inter-City ceased to eligible for sub-

Sidies in April.

InterCity says business travel is less sensitive to price than to service quality and time. Mr Lancaster says: What our customers are buying is the opportunity to work, sleep, eat and relax on their journey; price is much less important, even though firstclass fares are usually cheaper than air fares.'

Because of the time factor, BR's market share varies considerably from route to route. For example, there is little competition from the afrlines on the shorter routes, such as London to Birmingham, where it can match airline times for city centre to city centre jourBut there is strong airline competition on longer routes such as London to Manchester and Newcastle where journey

times are similar.
InterCity's weakest performance is on routes from London to Glasgow and Edinburgh where the train times of 4½ to five hours cannot match the airline service of less than three hours.

There are two ways of expanding the market, and intercity claims to be attacking them both. First, journey times can be cut by investing in faster

There is strong airline competition on longer routes

trains, and through electrificatrains, ann through electrinea-tion, especially of the East Coast Main Line from London to Edinburgh. By 1991, when this project is complete, the journey time between the city centres of London and Edin-burgh will have been reducted. burgh will have been reduced from an average of around 5 hours to around 4 hours described by Mr Lancaster as "within striking distance of the

There are other, less speciacular, ways of reducing running times, such as improving main-tenance of both trains and track. For example, much investment has gone into a dynamic track stabilising machine developed by BR which cuts the period during which trains have to run at reduced speed over track which trains have to run at InterCity says business revereduced speed over track nue on the London to Liverwhich has been relaid.
The second line of attack is

service quality, which Mr John Prideaux, InterCity's director, says is his main priority

the most obvious attempt to improve the quality of the product is the Pullman services, reintroduced in 1985, and now running between London and Sheffield, Liverpool, Manchester, Blackpool, Birming-ham, Leeds, Newcastle, Plym-

outh and South Wales InterCity says it is looking at other routes where these premium services could be intro-duced, but they are unlikely to run to Scotland unless there is a dramatic increase in the volume of traffic.

There has also been an attempt to make travelling by train easier for the top executive by packaging with car parking, seat reservations and optional catering vouchers.

This marketing ploy, known as the "executive ticket", is perhaps aimed most directly at the secretary who hooks the

the secretary who books the tickets rather than their boss. At the other end of the market, half of InterCity's business revenue comes from people travelling on standard class tickets - mostly junior manag-ers and the self-employed.

In an attempt to expand this market, InterCity has intro-duced a "Silver Standard" service, offering guaranteed seat reservations and light meals in specially designated carriages.

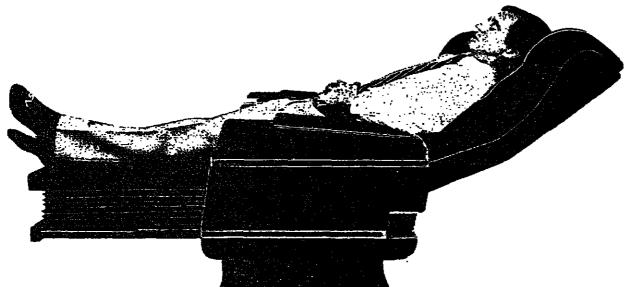
What the business executive wants is to be segregated from family and teenage passengers, in an environment where he feels he can work, and that is what we are trying to offer with Silver Standard," said Mr Lancaster.

pool route is up by 20 per cent this year, and Silver Standard is to be introduced between London and Manchester in January.

Kevin Brown



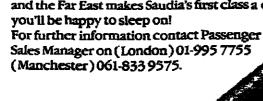
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BUSINESS TRAVEL 7

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FOR THOSE business travellers who wish to escape the flight delays nowadays so often experienced at airports throughout Western Europe, private aircraft or helicopter of

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Apart from obviating the problems of battling with traffic congestion en route to and from a major airport, and the congestion encountered in the terminals, there are many other attractions in having one's own aircraft virtually immediately available.

One benefit is that there are far more small, private air-fields available than there are airports, not only in the UK but also throughout Western Europe. These "general avia-tion" airfields cater for the smaller private aircraft, which means that businessmen can often land and take-off from airfields much closer to the factories or other locations they wish to visit than any scheduled airline service can reach. Moreover, if a helicopter is used, the opportunities are unlimited, for such aircraft can

land virtually anywhere - in car parks, roof-tops or playing fields, or on any area of open, unobstructed land. The consequent savings in time, includ-ing travelling time on the ground, are considerable. The convenience factor is also paramount. An aircraft,

whether chartered by the hour or the day or for longer periods, is a far more flexible vehicle than any scheduled air-

business executives concerned, doing the scape what they want it to do, when they want to do it.

The privacy factor is also important. The aircraft can be

as small or as large as the charterer requires. It can be a small, four-seater cabin piston-engined aircraft, just big enough to carry the chairman or chief executive and his immediate aides, or it can be a little larger, seating perhaps

An aircraft, whether chartered by the hour or the day is a far more flexible vehicle than any scheduled airline aircraft

six to 10 executives, or even higger - the number of different types available is considerable. The cost of chartering is, how-ever, also immensely variable. seem high, it has to be set against many other factors, class or even first-class air fares, and the cost of hotel bills for overnight stays. A potential hirer also has to be prepared to put a value upon individual executives' time, and also to assess the benefits of saving wear and tear on those busy and highly-paid individuals. But, in general terms, the cost per aircraft mile is often

competitive with the prices of business air fares, and when set against the other benefits

The problem is that most business organisations do not

know how to go about finding such aircraft. But help is avail-able from the Air Transport Operators' Association, which includes among its membership about 40 companies offering aircraft for hire, all governed by a strict code of conduct on their operations. The Association can put pro-

spective hirers in touch with an air transport organisation close to home that can usually quickly quote a rate for a given bers collectively have about 300 multi-engine jet, turbo-prop or piston engined aircraft, including helicopters available, and can fly their customers virtually anywhere in Britain. Europe or further afield.

The ATOA members also provide links with scheduled ports, together with such services as air ambulance, aerial photography, surveys, mainte-nance and other activities. While chartering an aircraft

is the most preferred course, some businessmen do fly themselves around. These, however, taken to flying as a means of relaxation. Most businessmen, however, find it better to leave someone else to do the flying, so that they can get on with a business meeting, or study papers, in the comparative peace and quiet of their own business cabins.

Yet another option - that of a company owning an aircraft is well worth considering if



British Airways, is installing personal video units so passengers have a wider choice of programmes or stereo music

the organisation has much executive travel to undertake.

This is common in the US, but has been slower to emerge in the UK and Western Europe. It has taken a long time to eradicate the old jibe that the company aircraft is the "chair-man's toy", but it is significant that today more and more companies are adopting the more pertinent attitude that an aircraft is just as much a tool of management and thus ultimate profitability as any other tools

There are signs that more and more companies are buy-

ing their own aircraft, especially as a result of the Com-mon Market, and it seems likely that this trend will accelerate after 1992, when many of the existing barriers to interna-tional commerce in Europe are due to be removed, including intra-EC customs barriers, which will make visits by private aircraft to the Continent much easier.

ership, including paying for pilots and for maintenance and hangarage, although at first sight considerable, are in fact much lower than many compa-

nies might realise. The secret of success is to cost the entire operation in minute detail before making any commitments, and to ensure that the correct aircraft for the tasks envisaged is bought. This includes a

detailed study of where execu-

tives have flown over, say, the

of the type of aircraft likely to

previous five years, and how much they have spent whilst doing so, together with an analysis where possible of how much more travel they will do over the years ahead. Against this can be set an assessment

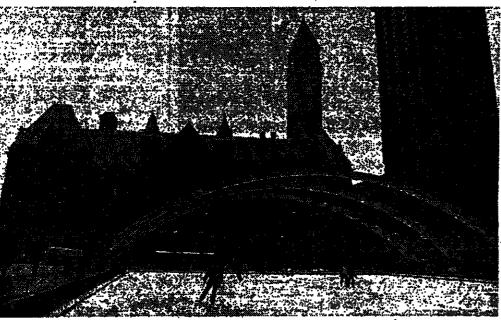
be required, and a detailed market study of the available

Too often, companies that would never buy a new machine tool, costing perhaps half a million pounds or more, without the most minute examination of costs and potential benefits, rush into aviation without any comparable analyses, and accordingly are either disappointed or upset at the

The best advice is to seek advice from the professional organisations who know the

aircraft market thoroughly. Here again, the Air Transport Operators' Association and the General Aviation Manufacturers and Traders Association exist to help, and can pass the inquiry on to either one or more of their own members, or recommend an independent consultant who can undertake the research. Companies which adopt this calmer, wiser course are more likely eventually to be satisfied with their purchase, and wonder how they ever managed to cope without

Michael Donne



The Old City Hall in Toronto

Hotels worldwide: King Edward, Toronto

Desserts to impress a Prime Minister

WHILE STAYING at the King Edward during the Toronto Economic Summit in June, Prime Minister Margaret Thatcher was so impressed by the quality of a particular des-sert, that she requested a meet-ing with the botel's executive pastry chef, Mr Joel Gaillot.

In this diet-conscious age, convenience and central location may appear higher on the average businessman's list of priorities when selecting a hotel than the consistency of the creme anglaise. No matter. The sedate, distinguished King Edward excels in both catego-

In spite of its situation on King Street, at the very core of the city's increasingly frenetic financial district, the 85-year-old hotel exudes an air of calm

Once ushered beyond the

formality of its recently refur-bished, marble-clad lobby, the private quarters are surpris-ingly homely. Beiges and browns (the predominant col-ours throughout the building) combine with floral designs to contrive a relaxed atmosphere. Nor are the small touches neglected: bathrooms contain

Commission and the Beatles, boasts a full range of amenities from discreet, highly-rated bars and restaurants to 24-hour room service and a health club. Rooms are equipped with cable television and mini-bar. Secretarial services are available during office hours at a charge of C\$15 per page.

Once ushered beyond the formality of its marble-clad lobby, the private quarters are surprisingly homely.

both telephone and hair-dryer the wardrobe light illuminates automatically upon opening the door.

The hotel, whose quiver of famous guests has also included Mr Jacques Delors, president of the European

Room charges range from C\$190-C\$270 plus tax for a single, and from C\$210-C\$270 for a double. Suites begin at C\$350.

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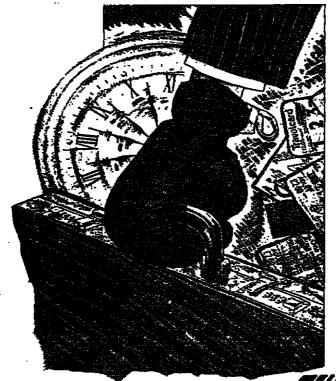
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AIR FRANCE

increasingly competitive climate of world air transport, the battle for the business class passenger is fiercer than it has ever been. Virtually every major airline in the world offers a wide range of inducements to attract these higher-fare and highly-discerning travellers.

With many airlines committed not only to the same types of aircraft, and on many routes offering the same or near-comparable fares - although new airlines offer cut rates in order to carve a niche for themselves the battle for traffic is centred largely on the quality of service offered, both in the air and on the ground at departure

and destination.
The ground element involves provision of separate airport lounges for business travellers, together with check-in desks that keep them apart from the congested check-ins used by growing numbers of lower-fare passengers, with later reporting times and sometimes other inducements, such as offers of special transport to and from the airports and opportunities to hire private rooms and sec-retarial services there.

All of these facilities are much appreciated, especially the exclusive lounges and check-in facilities. But they are peripheral to the business travellers' real needs, which are for very much better in-flight services than may be found on

economy class.
Currently, in-flight quality varies widely not only between airlines, but also according to the length of journey. Busi--class quality on long hauls is frequently much bet-ter than on short hauls, with considerable care and attention being paid to both to comfort and the standards of cabin ser-

However, on some short hauls in Western Europe, many business travellers for some time past have argued that standards of in-flight service have been slipping, instead of improving. This has probably been due to the pressures of traffic growth, that have strained airline resources, but the fact is that some businessmen remain critical of what many airlines offer - the old adage that "the passengers are the reason for our business, and not an interruption of our daily lives" is becoming even more relevant in today's increasingly competitive cli-

But there are now signs of a significant change. The advent of greater liberalisation in Western European short-haul air services is eroding many entrenched airline attitudes.



How the airlines fight for business passengers

Service is the key

albeit slowly, and forcing a reappraisal of what is offered. For example, within the past few weeks, airlines such as Air Europe and Dan-Air have introduced new scheduled ser-vices between Gatwick in the UK and several major cities on the Continent, with the prospect of more in the near future. These airlines, offering sig-nificantly higher qualities of service (and in Air Europe's case lower fares also), have already begun to take traffic away from some of the other airlines which traditionally have dominated the short-haul markets. The latter are now being obliged to look closely at the quality of their own operations, to see where

improvements can be made. The most prevalent criticism on short hauls in the past has concerned seating, and although the newcomers to the European routes are now providing seats with more room for legs and shoulders, some of the longer-serving airlines are still offering seats that many travellers regard as inadequate for comfort, with passengers still often cramped three-abreast on either side of the aisle, especially during peak travel periods of the day. This makes it virtually impossible to eat a meal or even read a newspaper in any kind of comfort, while working is virtually

out of the question. Hitherto, the predominant airline view has seemed to be that because journey times are Europe, varying the quality of

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economy class is of little importance - that the busi-ness traffic will fly anyway, because it has to. But it is becoming apparent that where airlines such as Air Europe and Dan-Air do take positive steps to improve the quality of in-flight comfort, they pick up

increased traffic. Many business travellers also believe that the quality of in-flight cabin service on some airlines needs improving, for despite advertising claims it remains well below what many people regard as acceptable. One possible cause for this is that on some routes where competition (and therefore greater choice for the passen gers) is not yet as fierce as on others, so many business class seats are offered, especially at peak periods, to cope with the load, that most of the aeroplane becomes, in effect, a business class cabin. Unless additional cabin staff are also

in-flight service decline because of the pressures of work involved. On some short flights of less than an hour, especially in the late afternoons or early evenings, many business travel-lers would prefer another inch or two of leg-room or shoulderroom in which to fly in greater comfort, rather than be given meals.

provided, the standards of

Many business travellers are hoping that, as competition increases on Western European short-haul flights, especially as a result of deregula-

economy cabins, with much of the desired intimacy and privacy being lost. Some zirlines customarily carrying substantial business class loads, however, are now redesigning their business cabins, with movable hulkheads, so as to overcome this difficulty.

Probably the biggest prob-lem facing the business traveller today is choosing an airline that suits his or her requirements. With increasing liberalisation, more airlines than ever are flying on international routes where formerly there were only two flag airlines, so that the available choice is increasing. Selecting the most suitable airline must be largely a question of trial and error, for what one traveller may consider good may not satisfy another, while even a particu-lar airline can vary widely in the quality of its cabin service between one trip and another. But some help is available. The business travel magazines are useful in cutting through the vast array of advertising and other publicity material

circulated by the airlines (with which even many travel agents find themselves swamped). BAA (formerly the British Airports Authority) publishes a convenient pocket (or brief-case) compendium timetable for the scheduled air services at major UK airports, while the Pocket Flight Guides, pub-lished by Official Airline Guides, are also invaluable.

Another useful briefcase item is "A Question Of Class", published annually at £3.50 by Hogg Robinson Business Travel Management, of Woking, Surrey, which analyses in depth all the facilities offered to first-class and business-class travellers by more than 30 major world airlines, together with details of lounge facilities. seating dimensions and other

Michael Donne

PARIS

Near bursting point

THE CITY of light could reach bursting point for hotel rooms next year as Paris awaits a larger influx of visitors, to celebrate the bicentenary of the French Revolution, than it has ver known.

Overseas visitors have returned to this spectacular city in force over the past couole of years - the fear of street bombs and fall-out from Cher-nobyl having long since become a distant memory. The growing numbers of business visitors, and Parisian world supremacy as a conference venue are straining the supply of luxury hotel rooms at the high spring and autumn sea-sons for fashion collections and trade fairs.

The professionals reject the theory of a structural shortage of four-star accommodation, pointing out that a minimum turnover is necessary year round for operators to stay in business. None the less, demand is tightening. Accord-ing to figures from the National Restaurant and Hotel Association, occupancy levels in four-star Paris hotels increased 5 per cent between the first half of 1987 and 1988. This is particularly significant, since the massive bi-annual air show was held at Le Bourget last year and not this year and of course the position can only become tighter as France approaches the bicentenary events next July.

New hotels are springing up on the drastically under-supplied western and eastern edges of Paris, but strict planning regulations rule out almost all new building within the inner city. As a result, operators have to keep their

ambitions down to the size of existing buildings.

The business customer has become the priority for Paris hoteliers. The 400 bedrooms being renovated among the Montparnasse Meridien's 950 will have work desks, and

more hotels are adding secretarial and back-up services.

The Concorde Lafayette at
Port Maillot claims to be the only hotel in Paris to have installed executive floors on the US pattern. The three-floor Top Club, opened in 1985, consists of 78 rooms and suites, a business salon with secretarial services, a priority check-out, and an assortment of personal touches to relieve the anonymity of the big hotels. Occupancy rates run at about the

same level as for the lower priced conventional rooms. The business customer has also become a priority for the national flag carrier Air France, now competition for club class passengers is a major headache. Several improvements to the services have been made recently, including a new cabin layout to give business class more privacy, a private bar, a wider choice of food and better wines. Before the end of this year breakfast will become a healthier affair than a croissant. Next year, new video monitors will upgrade the visibility. However there are no plans so far to introduce work-ing facilities as some rival air-

lines are doing. A third passenger terminal will be opened next spring at the main international Charles de Gaulle airport at Roissy, helping Paris towards its goal of becoming the European

North America and the Far

Paris has led the world for international business congresses and conferences for the past nine years, with 1,030 events in 1987, and has a num-

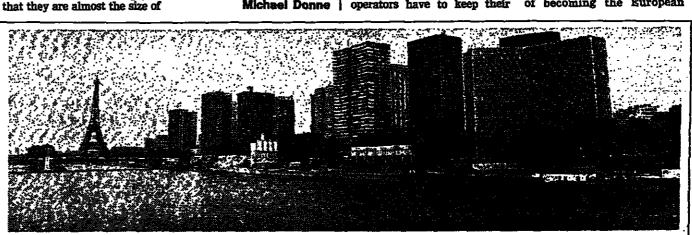
ber of projects under way to ensure it stays on top. The CNIT exhibition centre in La Defense business tower district, west of the capital, is being entirely rebuilt on the inside to provide a congress centre, a business club, an auditorium, a 170-room hotel and a permanent high-tech exhibition area known as Infomart.

Sari S.A. the developer, is confident all the exhibition space will be let by the end of this year. A good six months before the inauguration. The Palais des Congres at Porte Maillot plans a vast extension by 1992, and the controversial Arche de la Defense - one of the many monuments being built for the bicentenary - will contain a conference centre. The Meridien Hotel at Mont-parnasse will open a 2,000 delegate conference hall in January with a satellite communications link through a France Telecom subsidiary. and the Centre Aquatique at the Porte de Versailles in western Paris, in spite of its name, will also have conference space among its multitude of facili-

Although Paris remains No. 1, France as a whole fell to second place last year as a place for international conferences of associations and other non-corporate organisations, behind Britain.

Apart from the bottom line economics that keep a city in the black, little can detract from the gastronomic joys of Paris. These can even make a tirade from a ferocious taxi driver worthwhile. Not that this particularly cantankerous species was the only target behind the advertising campaign staged in the Spring of 1987 and 1988 by the Ministry of Tourism. The campaign urged the French to treat tour-ists as they would treat each

However, this does not necessarily say much about har-mony in international relations to anyone who has witnesse an average slanging match between Parisians themselves. Barbara Casassus



Paris: Occupancy rates in four-star hotels are rising quickly

Hotels worldwide: The Ritz, Paris

A place of quiet refinement

THE RITZ in Paris remains one of the world's great hotels. Situated in the Place Vendome, one of the most monu-mental squares of the French capital's city centre not far

tion and liberalisation more

research into their views and

needs will be undertaken and

that the overall quality of what they are offered for their

is better, with the airlines recognising that because of

longer journey times, seating

comfort looms larger in travel-lers' minds. The result is that,

in general, more consideration

has been given to it. Coupled with a higher standard of

in-flight service, this creates

the overall impression that a long-hanl business class flight

is pro rata better value for

money than its short-haul

Even here, however, some

travellers believe that some airlines are making their busi-

ness class cabins too large, so

counterpart.

On long hauls, the situation

money will be is improved.

from the Opera and Madelaine business centres on one side and the Tuileries gardens, the Louvre and the Place de la Concorde on the other, the Ritz has long been a popular retreat for businessmen as well as film stars and politicians in Paris. Its rooms are splendid, it has one of the best restaurants in Paris (two Michelin rosettes), its bar opens up in a quiet garden. There is also a long shopping arcade which links the Place Vendome side of the hotel with its back entrance on from the Opera and Madelaine

hotel with its back entrance on

The Ritz also offers its guests a new health and sporting centre which has become particularly popular with health conscious American

business executives. The Ritz also provides in its elegant and quiet decor, excellent facilities for business meetings and large business receptions.

It remains, however, one of the most expensive hotels in Paris with prices of its 164 rooms ranging from about FFr 2,000 to FFr 3,000. It also has 45 suites which are even more expensive. But the hotel has a luxurious charm which sets it apart from most other grand hotels in Paris.

Lacking the bustle of some of the French capital's other grand hotels it offers its guests the quiet refinement of an opu-lent Paristan hotel particulier, or town house.

In recent years, the hotel has invested considerable sums to refurbish and improve its facilities which combine all the needs of a modern business-man in an atmosphere of traditional Parisian luxury and good taste. The service is also one of the best of any five-star establishment in Paris. Whether you are a chief executive or an ordinary salesman, the Ritz will treat you like a

Hotels worldwide: The Regent, Sydney

Keeping a 'leading edge'

IT'S A sign of how competitive international hotels have become in the late 1980s that, in Sydney, where such estab-lishments do not exactly blan-ket the city, the six-year-old Regent Hotel is undergoing a major refurbishment "to stay at the leading edge," as its public relations people put it.

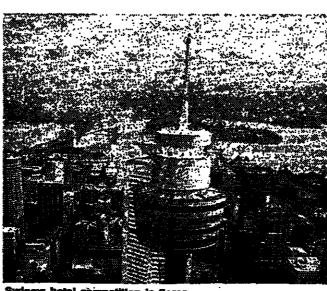
The 620-room 34-storey Regent, located a brief stroll from the financial district and offering views of the Harbour, Bridge and Opera House, is Sydney's top hotel, according to Australian Business maga-zine, and ranks among the world's top 25 according to Institutional Investor maga-

zine.
Its principal competitors in Sydney, both for the business traveller and the generally well-heeled, are the Intercontinental and Sheraton Wentworth, also in the central business district, and the Sebel Town House, in zestful King's Cross.

But more new top-rate hotels are being built, so the competi-tion will soon intensify further. Hence the refurbishment. Among other things that will bring a new telephone system. including a fax machine line in

each room.

The Regent markets itself as the largest international hotel with the largest rooms in downtown Sydney, but do not conclude that the standard rooms are large. Likewise, though one of its hallmarks is quality service, you will find



that in certain circumstances . the restaurant breakfast, for example - it can be so good it seems oppressive. Better too much than too lit-

tle, however, there is nothing like having your particular needs met. First time visitors to Sydney would also do well to remember that the big problem for all city hotels is the airport curiew. It means you should book your room for the night before you arrive so that night before you arrive, so that when you land (typically) first thing in the morning, you have immediate access to a bathroom and a bed.

It will add to the cost of your stay, of course, especially given the high Australian tariffs. But after an overnight flight you probably won't regret the extra expense, par-ticularly if you are also expected to discuss serious business

when you arrive.
The Regent, for all its short life, has already changed hands once. Currently it is owned by the EIE group of Japan, which paid A\$145m for it in 1985. The company is now sitting on an asset worth far more

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BUSINESS TRAVEL 9

PACIFIC RIM

Battle rages for the business customer

THE PACIFIC Rim travel market is experiencing an expansion that can only be

described as spectacular.

The average growth in six key Asian markets between 1986 and 1987 was a remarkable 20.3 per cent. Preliminary figures indicate a similar rate of growth this year — "spersons" growth this year — "everyone wants to be in here," says Delta Airlines' Mr Bob Takigawa in a slightly Japanese tinged American accent. "It's the market of the finture."

That is an assessment shared by one of Delta's US competitors, United Airlines. In its 1987 annual report, United said: The Pacific Rim markets offer (our airline) its best opportunity for profit

United's report also pointed out that overall Pacific markets "are growing at double the rate of domestic markets." Most of the growth is being fuelled by an increase in leisure travel. For example, the Japanese National Tourist Organisation forecasts that more than 7m Japanese will holiday abroad this year. But according to most airlines the business traveller represents the solid foundation of growth. Earlier this year, Sir Colin Marshall, British Airways chief executive said that "business travellers represent about 50 per cent of our scheduled ser-

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Mr Geoffrey Tudor, a spokes man for Japan's national air-line, Japan Air Lines (JAL) says while business travellers occupy only about 15 per cent of available seats they account for more than 30 per cent of JAL's total revenue. He calls the business traveller "the most profitable full fare ticket." want maximum flexibility and they are willing to pay

One of the most keenly competitive business routes in Asia is Tokyo-London. The battle between the airlines on this route is being waged, if not on the backs of international business travellers, then certainly on their bottoms.

The two major carriers on

United Airlines, jokingly calls Japan "our number one, number two and number three most important markets"

the route are British Airways (BA) and JAL – this spring, BA reduced the number of seats in business class to seven abreast while JAL continues to offer only eight across to busi-ness travellers.

Next year, however, competition is expected to get even tougher. Two new airlines will tongner. Iwo new airmes win start servicing the route. Brit-ish-based Virgin Atlantic and All Nippon Airways (ANA) of Japan. Both of the newcomers plan to offer six abreast seating in business class. That will mean more room for travellers but it will also reduce the num-ber of seats and effect profit-

"We'll be watching the impact of the new carriers very impact of the new carriers very closely," says Mr Tudor. He says if either Virgin Atlantic or ANA make significant inroads into JAL's business traffic the airline will be forced "to modify our cabin seat configuration". In other words, cut the number of seats.

In an interim move in the battle for the business bottom, JAL plans to introduce a new-JAL plans to introduce a new-ty-designed business class seat — the airline is keeping the details secret, but it says the new seats will each include a personal, multi-channel televi-sion screen. BA is now experi-menting with individual televinon screens on some of its

tant routes the biggest busi-ness travel market is the trans-Pacific route. At least 15 arrines offer scheduled trans-Pacific service. Delta's Mr Takigawa calls the competition

service "late next year or early in 1990", business travellers should have a full range of

telecommunications services available in flight. That will include telephone, fax and

Many sirlines identify on-

ground service as an area in which competition will pick

up. As an example, in Tokyo, Finnair offers chauffeured ser-

vice to Narita airport for quali-fying passengers — "we're going to see more of that kind

of thing" says Cathy Pacific's

But the major trend in Pacific Rim travel is the wide-

spread belief that the ebullient market will continue to grow, reflecting the strength of the

The Japanese Government in

an effort to help reduce its trade surplus has set a target of 10m Japanese overseas trav-ellers by 1991. That figure could be reached as early as

next year. In its 1987 annual report United Airlines is also

optimistic, predicting a 15 per

cent average growth in the Japanese market for the next

Mr Pring

five years.

According to industry experts JAL has about 42 per cent of the trans-Pacific market, the two major American

In October last year, JAL transmitted the front page of a Japanese financial daily newspaper to an aircraft in Aight

carriers United and Northwest Airlines share another 43 per cent, ANA has about 4 per cent and the remaining 11 per cent is divided up among the other

The biggest single destina-tion is Tokyo. Mr Bob Leu, a Tokyo-based spokesman for United Airlines, jokingly calls Japan "our number one, number two and number three most important markets."

United became a major player in the trans-Pacific mar-ket in February, 1986 when it bought the Asian landing rights of cash-strapped Pan American World Airways. Mr Leu, with a touch of predictable corporate pride, calls it "the best US airline acquisition

US-based Delta and American Airlines have both recognised the importance of the Asian market and began offering Japan-US service just more

Perhaps surprisingly, a hat-tla over the number of seats abreast in business class has not developed on the trans-Pacific route. And most airlines would like to keep it that way. As one senior official from an American airline put it "reducing the number of business seats across the plane takes away from first class and takes

away from profitability. "We don't want to start a fight and we hope no one else does." While Asia-Europe and Asia-North America are key business routes travel within

Mr Duncan Pring, a spokes-man for Hong Kong-based Cathy Pacific Airways points to heavy traffic on the Hong Kong-Tokyo, Taipei-Tokyo and Seoul-Tokyo routes. Mr Pring attributes the growth to the fact that business in "the whole Asia-Pacific region is growing faster than the rest of the world."

He points to "the most spe tacular growth in north Asia" and predicts it will continue. That is a view shared by Mr Tatsuji Ichiki the publisher and editor of the influential Tokyo-based Modern Tourism

magazine
He predicts that South Korea will become "the number-one growth market, in terms of percentage increase" in Asia. He says Korea's booming economy, plus the fact it is removing most travel restrictions in January, will contribute to the

growth. m an effort to serve the business traveller better most air-lines are planning to acquire the new Boeing 747-400s. The aircraft offers a longer range while more heavily loaded than existing 747s. That means more non-stop flights, a boon to the business traveller, can be scheduled.

Besides individual television

screens, many airlines have started experimenting with sat-ellite communications. In October last year, JAL transmitted the front page of a Japanese financial daily newspaper to an afreraft in flight. Perhaps omi-nously, it carried news of the October stock market crash.

ghts. When the technology is fur-While Tokyo-London and ther developed, and JAL for ong Kong-London are impor- one is talking about introduc-

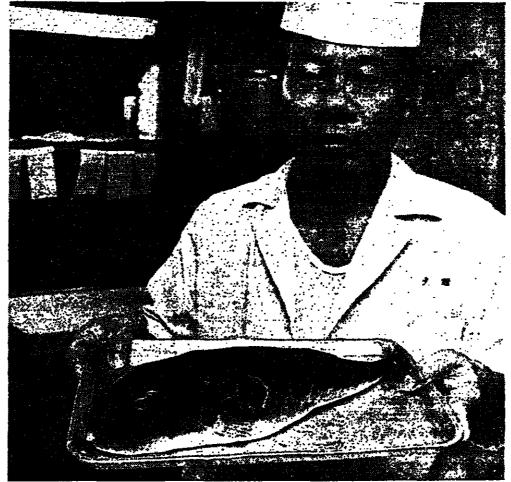
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	INBOUND &	OUTBOUND	% INCREASE
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Japan	7,577,719	8,984,202	18.5
Business only -	1,380,894	1,545,776	-11.9
Hong Kong	3,733,347	4,501,889	20.5 ·
Business only	858,669	990,415	15.3
Singapore	3,191,058	3,678,809	45.2
Business only	403,474	456,357	13.1
South Korea	2,114,946	2,385,039	. 12.7
Business only	423.243	497.921	17.6
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Tokyo's top hotels have their differences but not in quality of service



Geoffrey Ellwand

Where to find a western-style breakfast

TOKYO'S top hotels have their differences. The Okura has an unmistakeable air of Japanese elegance. The Imperial is rather more international, while the Palace Hotel is some-

what more restrained.
Such distinctions figure prominently in hotel sales brochures. But the busy executive should rest assured that in all three of these establishments the quality of service will be more or less the same in their more or less the same in their essential elements, including the provision of 100 per cent genuine Western-style breakfasts (something which cannot always be taken for granted, even in Takua)

even in Tokyo).

Above all, the reliability of the telephone operators is virtually guaranteed - nothing distinguishes the requirements of the business traveller from those of the tourist more than a need to rely on a faultless message service.

As a result, a good criterion for choosing a hotel in Tokyo should be location. The city is a difficult place to get around. especially for first-time visi-tors. Taxis are plentiful - but so are traffic jams.

Okura (except for those planning to hire a chauffeur) should think carefully about their daily schedules. The their daily schedules. The Okura is reasonably close to Kasumigaseki, the government office centre - but it is also perhaps a little too far (five minutes' walk) from the nearest underground station.

The Palace is in Marunouchi so within walking distance of many of the corporate offices which an executive may want to visit. The underground is a short walk away, but a disad-vantage of the Palace for some is that Marunouchi is a rather

'dead' area at night.
This leaves the Imperial which stands between Maru-nouchi and Kasumigaseki and virtually on top of a large underground station. It is also a few minutes' walk away from Ginza, a shopping and enter-tainment centre.

If you stay at the Imperial, it will cost Y14,000 a night for one person, plus 10 per cent service charge, plus 10 per cent tax. The cost at the Okura is Y16,000; and the Palace,

Stefan Wagsty

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Business air europe

TOGETHER WE MEAN BUSINESS

Companies do away with those 'hidden extras'

have ever hired a car and only 6 per cent a van, according to a study compiled for Budget Rent a Car last November. But in the US more than 50 per cent of adults have hired a car

That puts the expansion drive of the four leading UK companies - Europear, Hertz, Avis and Budget - in perspec-tive. Collectively, they have

much ground to make up.

But even Avis – which
claims top place just ahead of Europear - accepts that the market is fragmented, with the narket is fragmented, with the top five, including Swan National, the Trustee Savings Bank subsidiary, accounting for less than 50 per cent of the

The keynote behind "Avis
Goes for Growth" is the introduction of simple, all-inclusive price tariffs with no hidden extras. The slogan being used is "the price you see is the price you pay" - and that price includes time and mileage, collision damage waiver, personal accident insurance cover and

Not surprisingly, its competi-tors claim to be fully able to match Avis. Europear - which also proclaims itself the UK's largest car rental company offers a "Business Plus" package which features fully-inclusive daily car rental rates. starting at £48 on a range of standard, executive and de luxe vehicles. The only additional charge is for petrol.

Hertz, meanwhile, has launched a Business Class programme, which a casual observer could be forgiven for assuming to be much the same as its competitors. You may rent a Ford Fiesta from the company for £49.50 a day. Hertz, too, makes much of its "no hidden extras" claim, while with Budget's Business Travel programme – not underpriced compared with its competitors, but aiming to offer "more car for the same"

man need worry about is that of filling up. Avis says it is the only car

- the only cost the business-

ing in the same direction, but it is a good thing that the cus-tomer is being offered a sim-pler choice and no longer faces a series of barely comprehensible "add-ons" when returning

his car. His car? According to Hertz, at least 80 per cent of its clients are men.

And quite a few of these male business travellers will want to make use of car phones. Avis has launched a new mobile communications division to provide at no charge portable or in-car phones in a significant number of its cars, especially those catering for the business trav-

Eliminating the time it takes to process a rental agreement form is another area in which the major companies have been active. Avis has

introduced Roving Rapid Rental at British Midland lounges, while Europear's Super Service Card holds all the renter's necessary details and requires only one Imprint on the agreement form, thus ensuring the busy traveller has a quicker departure

and no billing

On perhaps a lesser scale, Hertz says it has luxury vehicles equipped with car telephones at some locations. Mobile telephones are available at Super Shuttle Drive airports

A significant feather in Hertz's cap, however, is the capture of the British Rail account from April 1, 1989. The deal is guaranteed for five years and means that Hertz will increasingly site its locations at or near railway sta-

So the rail traveller to Liver-

pool or Manchester can expect to pick up a Hertz car on arrival without any hassle, Also, British Airways has extended Hertz's worldwide car rental supplier contract until April 1992. According to Mr Jim Harris, BA's director of marketing, "Hertz's unprece-dented step in including petrol rental company to offer all-in-clusive prices across all its published tariffs. All the lead-ing companies seem to be movhelped achieve record rental figures from Shuttle passen-

gers."

"A vote of confidence," said
Mr John Hambly, Hertz
Europe's vice president, sales and marketing

Surprisingly, Hertz does admit to being number two in some respects. Its network of 130 stations does not match the 150 owned by Avis. But the BR deal could prove the spur to an ambitious expansion plan which would increase the number of locations to 250 within

Avis is fighting back. It is looking to a network of 300 sta-tions by 1992 and hopes to

achieve it by opening a station

on average every 1½ weeks. And its acquisition of C.D. Bra-

mall has made it a significant

All the main rental firms say that they try to provide what-

ever car the customer requires.

Nevertheless, Avis has recently signed contracts with Vauxhall and Austin Rover.

According to its publicity, "Hertz rents Ford and other

fine cars." Budget, too, while claiming to offer a full choice,

stresses its strong ties with Ford. And Europear offers a

wide range while centring, in

the UK, on Renault, Ford and

Rover for its Business Plus ser-

abroad may want to leave the car at his destination and

return by some other means.

Europear has a one-way rental service between key cities in 18

European countries and Israel

and offers a similar one-way

service between locations in

The executive travelling

figure in car leasing.

ture and no billing worries. Europear claims it is the only car rental company to run a frequent traveller pro-gramme. Every time a Privi-lege Plus member hires a Europear vehicle, he receives points which can be redeemed against luxury or practical goods, or special car rental

other countries for periods of

three days or more.
Similar deals are available from other leading car rental companies, including Budget, which claims to be the market leader in the Middle East.

Eliminating the time it takes

to process a rental agreement form is another area in which

the major comapnies have

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duced Roving Rapid Rental at British Midland lounges, while

Europear's Super Service Card holds all the renter's necessary

details and requires only one imprint on the agreement

form, thus ensuring the busy traveller has a quicker depar-

packages.

Among other benefits are discounts and superior accom-modation at all Hilton National and International hotels. Similar rental agency deals will, of course, pay a significant part in determining which car rental firm many executives use on their stay. Thus, Budget's major clients include Brit-ish Gas, Appleyard, the Minis-try of Defence and (another part of the track) British Rail (Scotland).

Avis, according to Mr Bill Kirkwood, its sales manager, wants to become the McDonalds of the car rental business." Now you have to be 22 to hire an Avis car (Hertz says it is the only international company to rent cars to 18rear-olds in the UK). How old do you have to be to eat a hamburger?

Yet, amid all these signs of emphoria, it is worth listening to one note of caution: while Hertz's expansion plans are as ambitious as any, it does not see the UK market as growing very much - it expects most of its growth to come from its competitors, and of course that includes the small indepen-

Gabriel Bowman



On line: Keith Dyer regional vice president and managing director of Avis. The company is putting phones into a

When visiting Italy's economic centre it pays to book in advance

Options can be few in Milan

THE BUSINESS traveller visiting Milan generally has precious few options as this is a city which, despite its fame as Italy's economic capital, is short on hotel beds.

Thus, rule number one is to book as far in advance as possible, otherwise you will find yourself caught in a pension on the outskirts of town as armies of fashion-buyers or machine-tool salesmen flood

bankers tend to favour a stay at one of the deluxe Ciga hotel chains in the Piazza della Repubblica, such as the Principe or the Palace, these are large, impersonal and cold five-star hostelries.

A better bet if top-of-the scale luxury is essential would be a stay at the Excelsior Gal-lia near the train station, which is more tasteful than the Ciga hotels and once

Milan during its frequent played host to the likes of trade fairs.

Although international The best and most central ion sets, its rooms (always ask place to stay in Milan is the Grand Hotel et de Milan, which is located a few paces

away from the Scala opera

house and just near Via Mon-tenapoleone, the luxury shop-ping street which makes even Bond Street look tawary. The Grand, although it lacks a restaurant and has slightly rickety service, is undoubtedly Milan's most charming and old-world hotel. Its fin-defor a double, even for single occupancy) are furnished in decaying Victorian splendour and in many ways this is Milan's version of New York's famed Algonquin.

The Grand is functional and fun - and for opera buffs one can even book Room 107, where Giuseppe Verdi lived, worked and died.

Hotels worldwide: Maurya Sheraton, New Delhi

Dining in a club atmosphere

NEW DELHI has around 15 tronic typewriters and word international business visitors, but the Maurya Sheraton, in the Diplomatic Enclave, is unusual in that it has a hotel-within-a-hotel called Maurya Sheraton Towers, in a separate

block of 112 rooms.

'Executive club' facilities are provided for business visitors including telex and photocopying facilities, international direct dialling telephones, elec-

high class hotels catering for processors, plus rapid check-in international business visitors, and check-out services.

Executive club guests have specially appointed rooms with a desk, extra telephone exten-sion and personal care. For added comfort, amentities include slippers and a bathrobe and daily newspapers.

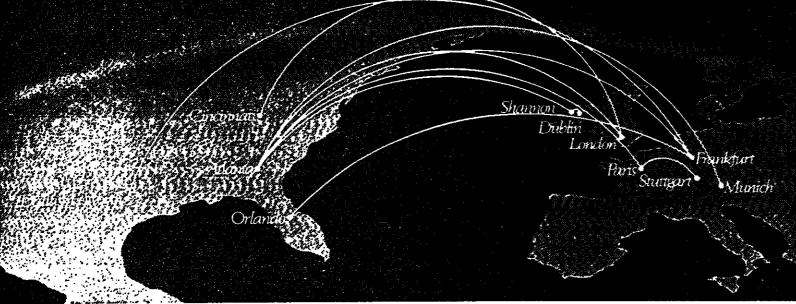
Guests have access to the business centre which has both private offices and a meeting

room. There are three large board rooms. And for relaxation, there is an exclusive din-ing room with a club atmo-sphere and three excellent

The hotel has a swimming pool, mini health club and a sauna; there are also eight bars and restaurants serving a wide range of international dishes.

K.K.Sharma

tFromTheHeart.



DeltaFliesNonstopFromTheHeartOfEurope ToAmerica'sHeartland.

Delta Air Lines flies you to the U.S.A. from London, Paris, Frankfurt, Munich, Stuttgart, Shannon and Dublin.

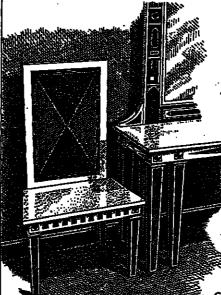
You can fly Delta to four main gateway cities in the heart of America: Atlanta, Cincinnati, Dallas/Ft.Worth and Orlando. Upon arrival, you'll find the airports in these cities have modern, convenient customs and immigration facilities to speed you on your way.

Delta is now one of the largest airline systems in the world. Together with The Delta Connection, we offer a choice of over 3,900 flights a day to over 240 cities worldwide. In the United States this means you can take advantage of convenient flights from coast to coast.

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Rest assured that marquetry marvel by Viscount Linley won't sit awkwardly on your company's bottom line.

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Nevertheless, visit us and you will find elegant guest rooms and lavish apartment suites, a fully equipped business centre and a private bealth club.

Add to these two restaurants offering Provencal and Chinese Szechuan cuisine and the considerable benefits of our Corporate Executive Plus scheme and you will appreciate the justice of our boast that the lavishness that surrounds you is, on your bill, without price.

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TAJ INTERNATIONAL HOTELS

BUSINESS TRAVEL 11



Hotels and airlines are looking again at 20 per cent of their business customers

Why women are clubbing together

'BOARDROOM BARBARA', steadily in the 1990s as more 'Self-Contained Sarah', and women move into managerial Lively Laura' are just three of positions which require travel. the descriptions given to differ-ent types of travelling business women in a new survey carried out by Ramada Hotels into the plight of the female executive when out of her office.

The three stereotypes were culled from Ramada's own extensive experience with guests who are also high-flying women executives as well as from interviews with 20 of Britain's top business women. Ramada's concern about what women executives think about hotels reflects the fact that women business travellers are becoming a significant force in the business travel

About 20m per cent of British business travellers are women, according to trade esti-mates, and this proportion shows every sign of growing

Yet the emerging recognition of women executives as a real force in the market has uncov-ered long-withheld feelings of

unhappiness from the women themselves over how they are being treated. Women who are more than a match for their male colleagues in the office auddenly, so it seems, are turned into quivering wrecks when in hotels and often remain virtual prisoners in their hotel bedrooms rather than face dining alone in the hotel restaurant. The evidence for such a state

of affairs comes members of the newly-formed Business Woman's Travel Club, set up by Ms Sally Jackson, who works in the travel industry, along with several other busi-The club, which has more

than 250 members after one year, has already negotiated the inevitable discounts with hotels and other travel suppli-ers for its members.

But, according to Ms Trisha Cochrane, the club's administrator, "one of our main aims is to improve the standard of service for women travellers and to give them the encouragement and support of their peer group."

From the start, the club's members have rushed to voice

their concerns about how their are treated by hotels, airlines, restaurants and so on. One key area of concern is the sheer mechanics of travel. The lack of hairdryers, irons, skirt hangers and so forth in

plaint is the attitude of travel industry staff towards business women. They are given the

restaurants, have trouble get-ting served at bars, and often feel ignored on airplanes when stewardesses allegedly pay more attention to business

More importantly, according to the club's members, is the scant attention paid to security in hotels. Reception desks, for example, will often call out the room number when a woman guest checks in and hotels quite often given women travellers rooms in poorly lit parts of the hotel. Ms Cochrane insists that the

club does not exist simply to moan about the fallings of the travel industry but to try to change attitudes and improve service for all travellers.

We don't think that travel suppliers should give women special treatment but should aim to look after all their customers properly," she says.

The hotel industry - which business traveller's complaints
- has responded in different
ways to the growth of women

Crest hotels has taken the route of singling out business women for special treatment by providing 'Lady Crest' rooms designed for women. They have more skirt hangers, extra toiletries, a softer decor, and rooms are located close to lifts, and fitted with spy-holes on the door. Key-cards are always handed face down at the reception desk so that the room number is not made pub-

Ramada's approach differs in that it does not believe in providing special rooms for women. Instead, it has created a Travelling Woman programme to train staff into ensuring that women travellers are given the same service as male guests.

Its survey of business women, however, has made it realise that there are differing types of travelling female exec-

tives.
"As a result of this survey we will be aiming for improvement within our entire operation, stepping up our staff training programme within the three types of Ramada prop-erty, and using the business women 'typologies' as a useful tool," says Ms Marie Beatrice Lallemand, general manager of the Ramada Renaissance hotel in Brighton.

Boardroom Barbara', according to Ramada is an "assertive and dominant businesswoman, probably more than 30, and accustomed to commanding attention. She particularly loathes the idea of segregated 'women's programmes' in

'Self Contained Sarah' is

more quietly confident, also older but with a less aggressive approach to life. "She won't make demands on hotel staff but, if prompted, she knows exactly what she wants," says

Lively Laura' is the younger equivalent of Boardroom Barbara' and is still climbing the career ladder. "She is lively and impatient and is the most prone to male harassment," says Ramada. "She requires more help and support from

'Unassuming Ursula' needs the most help of all, says Ramada. "She is quiet and rather timid although her confidence increases with experience. Despite her ability to be overlooked, hotel staff should remember that she may be a key decision maker and to

treat her with respect."

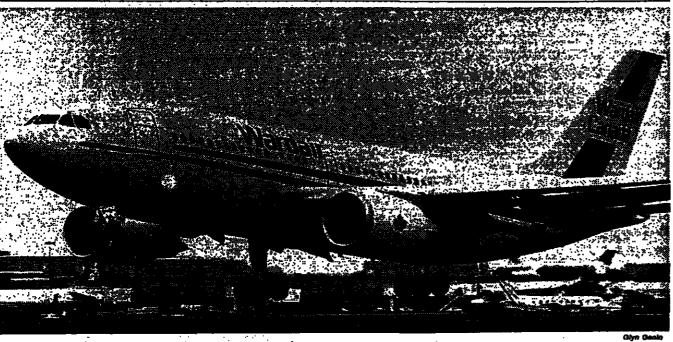
The sort of specifics that the

An executive room at the Effingham Park Hotel which is reserved for women **Business Woman's Travel Club** suggest would help travelling women executives include

such measures as better lit and more secure parking areas, more airport courtesy buses (especially at night), and travellers' tables where men and women executives can sit

One central London hotel has gone a stage further and is particularly aimed at women. Reeves in Shepherds Bush Green offers travelling busi-ness women all the comforts and service they rarely get in top-class chain hotels. Although Reeves cannot under the law prevent men from staying at the hotel, it would be a brave male executive who decided to breach this particular female executive haven. Business Woman's Travel Club: telephone 01-222-4539.

David Churchill



Canada's Wardair has introduced several improvements to attract the business traveller. They include a 'season ticket' for wellers which the company says can offer savings of up to 40 per cent compared with rival business class fares

Hotels worldwide: The Manadarin Oriental, Hong Kong

A long track record of reliability



HONG KONG'S large number of luxury hotels provide plenty of choice for the viaiting businessman, but three stand out as candidates for the title of the

best hotel in the colony.

Two are located on the Kowloon side, the old-world-style Peninsula which has just celebrated its 60th anniversary, and the other, with its unmatched waterfront location and cool, modern interiors. But for most businessmen the Mandarin Oriental is still the number

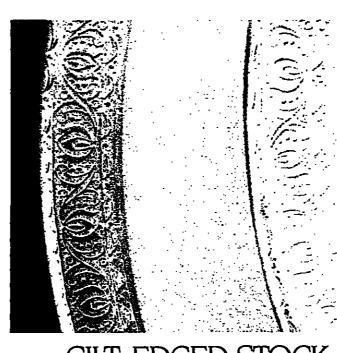
one choice, not only because of its long track record of reliability and helpful service, but also for its prime location in the heart of Central, the financial district on Hong Kong Island.
Facilities such as fax and typing services are available at the business

centre, while the usual 24-hour room service is present for jet-lagged executives who have a sudden yearning for dinner at 3am. The Mandarin features several

top-class restaurants, with French cuisine on offer at Pierrot, and Cantonese food next door in Man Wah. The Mandarin Grill is an old favourite for business lunches, and fills up rapidly at 1pm with the colony's movers Single rooms start at HK\$1,400, and

go up to HK\$14,500 for suites. Service and government tax add another 15 per cent to these prices. Hong Kong hotels are often brimming

over with guests, and it is always advisable to book well in advance, especially during the peak September to December and March to June



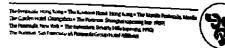
GILT-EDGED STOCK

A beautifully presented consomme captures the essence of The Peninsula Group's unique business philosophy. A philosophy built on management and service excellence. And

reflected in each Peninsula Croup Hotel In Hong Kong it shines through in the splendour of The Peninsula and in the modernity of The Kowloon Hotel

Further alield you'll discover the same sense of style in the extensive business facilities of The Garden Hotel, Guangzhou, the warm hospitality of The Manila Peninsula and at the newly

opened Portman, San Francisco (A Peninsula Group Hotel Affiliate) This philosophy will also be the hallmark of all future investments and developments, like The Portman, Shanghar, opening late 1989 And above all, it's your guarantee that this actively growing company will always strive to produce great results.



THE PENINSUL

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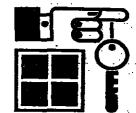


DAILY FLIGHTS TO SYDNEY. PLENTY OF DIVERSIONS BUT ONLY ONE STOP.

No matter how fast an airline promises to fly you to Sydney (and we promise you, no-one flies you there quicker than Qantas) you're still going to be on a 'plane for around 21 hours. So we do all we can to make the hours go faster too. For a start, all the drinks, from mineral water to vintage bubbly, are on the house. All your meals are prepared from the freshest ingredients by our own seasoned chefs. And what's more, we'll even feed your mind. Our on-board library has most of the latest bestsellers, newspapers and magazines. After dinner, you can feast your eyes on one of the latest films. (We change the programme as often as your local cinema). But if you'd rather just look out of the window instead, be our guest. (Our cabin staff know when the best kind of service is no service at all). In fact, whatever your needs, we'll do as much, or as little, as it takes to make your trip less of a long haul.

SECTION IV

FINANCIALTIMES SURVEY



industry sees new opportunities,

chartered surveyors have led the way in

expanding research capacity.
Institutional investors need
information before risk-taking and
rely on computers rather than gut
feelings, says William Cochrane

Objectivity takes over

THE UK property industry has seen a surge in rents, values and development plans since the City of London office market led off the present boom in 1985. Now there is fierce competition for development deals, with property companies in the van; this has opened the way to new and complex financing structures and the increased presence of overseas banks or investors.

All of the participants need to do their homework. So the professionals, most commonly firms of chartered surveyors, have been expanding their research capability, often in parallel with the introduction of financial services divisions; at the same time, chartered accountants and their management consultancy offshoots, banks and law firms are looking for their share of the

"Into this arena," says Mr Michael Nicholson, "have come the suppliers of third party information and research, together with providers of time-saving computerised information systems. Both have found a ready market." Mr Nicholson serves the market as founder of Property Intelligence, and its Focus on-line property database.

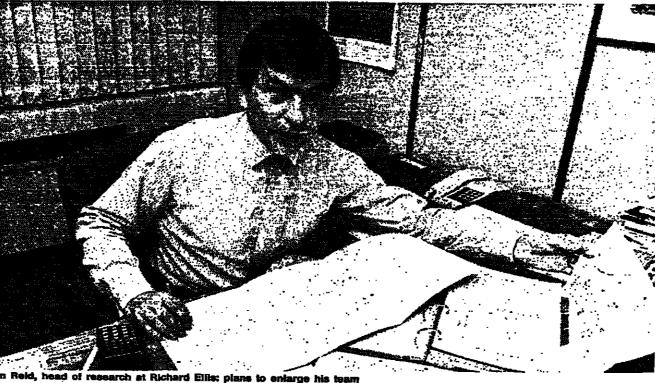
"The growth of these compames has been phenomenal," he
says. "Around five years ago
there were only 20 companies
specialising in this area,
whereas now there are almost
150." Mr Nicholson adds that
recent research sponsored by
the Royal Institution of Chartered Surveyors into land information systems suggests that
there will be over £1½hn of
work for property researchers

over the next 10 years.

Mr Iain Reid, head of research at Richard Ellis, notes that the RICS has also estimated the growth of researchers employed by surveying firms at 75 per cent in 1988, with a further 35 per cent projected for 1989. He is now asking for a 20 to 30 per cent increase in his team, currently

So there is plenty of growth, in quantity. This leads on to the next question. Parallels have been drawn before now between the growth of property research in the 1980s with the cult of the equity 20 years earlier. By the middle to late 1960s, the latter was producing stockbroking research of increasingly high calibre. Is the quality of property research of that level?

Only just, says Mr Paul HARD TASK OF FINDING A TEAM 2; DECISION TIME GETS SHORTER 3; INITIALLED GOLDMINES, SPELLS FOR 'CINDERS' 4



PROPERTY RESEARCH

AND INFORMATION SYSTEMS

Orchard-Lisle of Healey & Baker, the surveyors; its managing partner responsible for investment and research from the early 1980s. As senior partner today, he has the same specific responsibilities at managing partner level; but, he says, it is only now that he is prepared to put his research team into the front line.

He is pragmatic about the number of people involved. H & B's total of seven researchers, rising prospectively to 10, is modest by some standards. H & B also has links with the specialist firm, James Morrell Associates, on the economic forecasting side. "As a firm," says Mr Orchard-Lisle, "we are inclined to give contracts to outside bodies or academics — quite closely written

contracts, so that we get research on exactly what we want. That gives us objectivity, and avoids us having an enormous staff."

Objectivity also led surveyors Bernard Thorpe, says Mr John Eley, a partner, to commission Applied Property Research and Corporate Intelligence Group, the market researchers, to ascertain potential demand for high quality office campus development in the M4 corridor, to the west of London.

Mr Geoff Marsh, founder of APR, was known for his studies of office decentralisation from his time at Jones Lang Wootton. APR itself has been working on business parks for some time. Bernard Thorpe, presumably, was able

to put a credible pitch to a si prospective client. ti People have questioned how

People have questioned now long APR's perceived independence will last, now that it is a subsidiary of a notable and sizeable developer itself, in the shape of Rosehaugh. Mr Marsh said after the bid that his information business would continue to grow, with Rosehaugh treated just like any other client, and that his consultancy work was likely to gravitate naturally towards his new parent.

The universities continue to make a good contribution. The Department of Land Management and Development at the University of Reading is currently addressing the management of property assets with a study which is still at an early

stage; from the same address, the College of Estate Managementhas recently completed research on the unitisation of property, and on the development prospects for Peterborough, commissioned by the Peterborough Development

But it all comes back to people, and quality. It is perhaps instructive that the new head of research at surveyors St Quintin, Mr Peter Damesick, was previously employed in the management consultancy practice of Coopers & Lybrand. A higher value is being placed on property research, and the researchers. It will need to sell higher-priced merchandise to pay for its new status, but its ability to do so may be open to debate.

Sourcebook author Mary Moody

Apriloy Aghwood

All-in guide

THE FIRST comprehensive guide to property research, The Property Information Sourcebook* by Mary Moody, was due off the presses this week.

The Sourcebook will be an annual guide to all the leading sources of research and information within the commercial property industry.

Ms Moody is the principal of Mary Moody Associates, a specialist property research and information consultancy which is just about to move to Rotherhithe, in south-east London. She has worked for the Department of the Environment, Jones Lang Wootton and the London Docklands Development Corporation; as an independent she has set up a research library for Hillier Parker, and a property database for Kleinwort Benson Research in the City of London.

Averaging two or three reports to a page, the book lists reports, splits them up by subject and location and describesthe key points within them—"enough," thinks Ms Moody,

"enough," thinks Ms Moody, "to tell people whether they will want to buy the reports, or not." The addresses of the sources are included, and the price of the material where it is available.

She does not attempt to make qualitative judgements on the reports, although the fact that they are listed in the book implies a certain level of quality and of information. She is not really interested in publications which are company brochures in disguise.

Major collections, like the sheaves of work on the Central London office market, are enlivened by the inclusion of a decentralisation study by Jones Lang Wootton, a report oriented towards US investors by David Shulman and D.J. Kostin of Salomon Brothers, and information on City development and office occupiers from the Corporation of London's planning department.

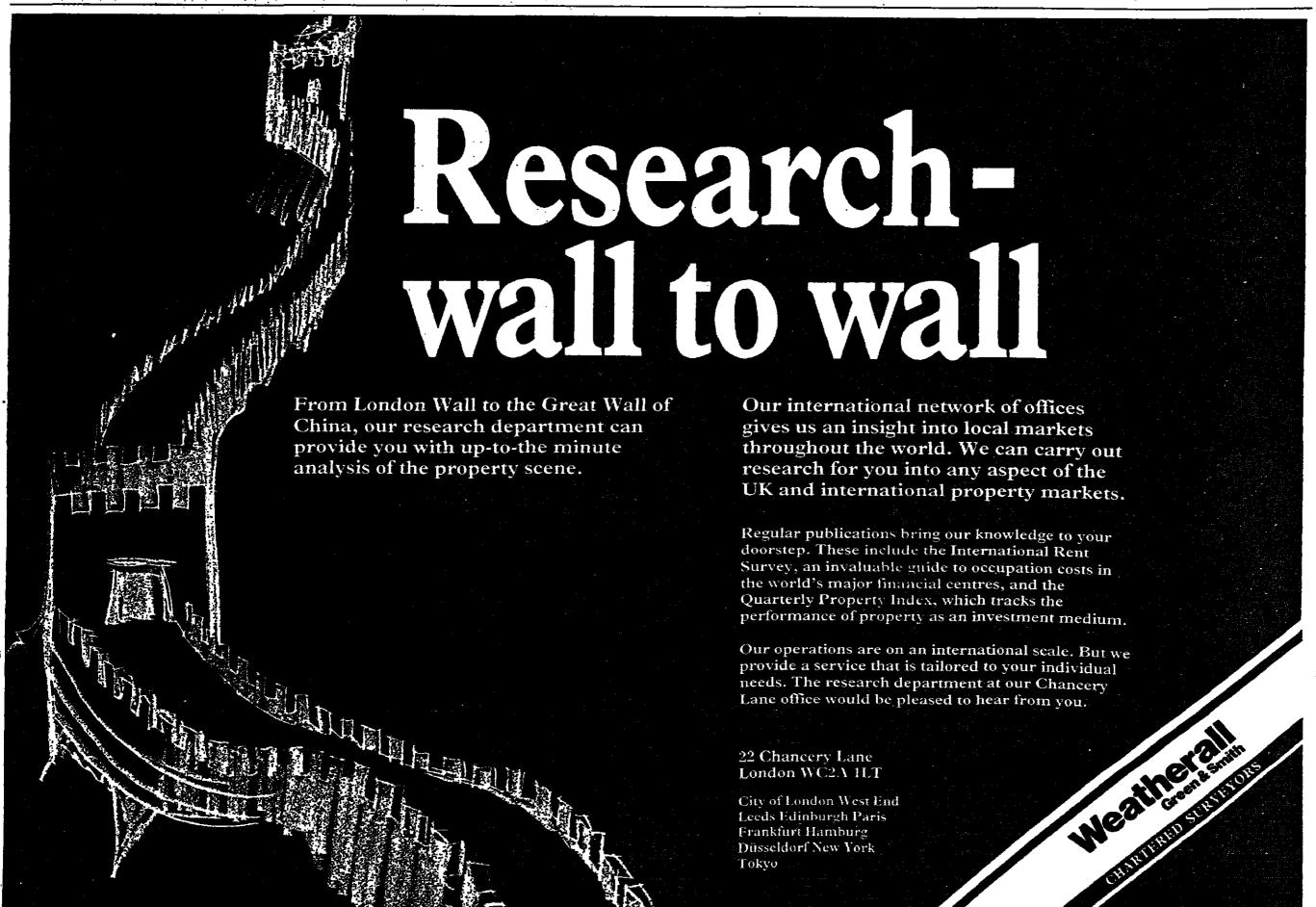
In years to come, the Sourcebook may be expanded to include more work from local authorities. universities and polytechnics. Settling up the book took a lot of research work on its own, says Ms Moody, throwing up titles like City Planning by Special Situations, in Sevenoaks, Kent. And there could be more like that.

Conversely, a lot of work based on current rents and the like will fall out in the years ahead. And some particularly timely reports, like Edward Erdman's work in 1986 and 1987 on the deregulation of the City's investment markets, and the effect of that on property, may be trimmed out as new topics and issues emerge.

This emphasis on topicality extends to separate headings in the office and retail sections, a whole section on rating revaluation, inclusions for Jones Lang Wootton on obsolescence, and Sweby Cowan on the effect of 1992 and the opening up of Europe on the UK property industry.

Where reports naturally fall together, like Richard Ellis on West End development and investment, and the same firm reporting for occupiers on West End offices, they are discussed together. And finally, for reference book aficionados, there are indices — both by subject, and source.

* Published by the Book Department, The Estates Gazette, 151 Wardour Street, London WIV 4BN, price 232.50.



THE STRATEGY

Hard task of finding a team

HEADHUNTERS HAVE been on the prowl, in the City, in the West End of London, and in universities and polytechmics around the UK. Information is increasingly being tion is increasingly being viewed as a key resource in the property industry, to be connered, bought or sold, and that

has meant buying people. It has also meant difficult decisions for some of them. Mr Paul Orchard-Lisle, senior partner of Healey & Baker, has seven full-time researchers. But he also has newly-created vacancies for a further three. "Of my seven," he says, "four have had approaches this year from other chartered survey-ors, or from the City." H & B is fairly relaxed about

its research requirement. It will fill the vacancies from universities; it has former students of psychology, history and geography telling the world what is going to happen in property; but it also has a oned top echelon, headed by its research partner Mr Angus McIntosh, and the overriding responsibility taken by Mr Orchard-Lisle himself. Angus and I will sit at the top of the roost and make sme that

all this research is directed usefully," he says. However, more pre-emptive moves are being made in the direct property market, where the evolution among property agents has led to the introduc-

more active in the business.

People want to get in at the

'dirty' end of the market and

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tant at CACI Property Services. "They also want more money. Mr Thurman came from the Cadbury Foundation at the University of Birmingham His colleague, Dr Yvonne Court,

used to be in the geographic department of Portsmouth They see a natural progression. "A lot of people went to agents in the early 1980s, many of them to produce what was essentially publicity material," says Mr Thurman. "They encountered twin frustrations:

first, they were not really involved in property decisions; and secondly, they were not seen as 'independent', either by their sources of information or by their eventual readers," Analysts then spun off into independent research groups, like Geoff Marsh's APR, and moved up a grade, or two, or more - Mr Marsh, himself, hitting a personal peak this year with the acquisition of his company by Rosehaugh, now one of the leading developers in the UK. Agents are now tak-ing people, like Ms Feenan, out of the independents into higher

level jobs, says Mr Thurman but it would not surprise him if the next stage were for the independents to acquire whole teams from the agency business and supply their former employers, and others, with research under contract.

In the City of London, mean-while, 11 of the big banking and stockbroking "houses" are said to be searching for research teams. Research is seen less as an end in itself than as the contact with potential corporate finance clients, where the big money is to be made; the corporate finance specialists also need the contacts which brokers have forged with the big institu-

This overheated atmosphere has led to unhappiness, as well as achievement. Property spe-cialists can be recruited into the business for high pay, and then frozen out by their col-leagues. "Teams" have been stuck together regardless of the incompatibility of some of

Mr Alan Carter, with Mr Gareth Evans and Mr Alistair Guild, forms the Chase Manhattan property research team which moved there en bloc in mid-1987. Their hard-hitting, irreverent and frequently very funny work has come out under a number of letterheads

in recent years. What concerns Mr Carter. among all the whispering about who is going where next and with whom, is to maintain the standard of what he does for a living. There may be lessons here for other research teams which might find them selves paid more, but may be used with as much scorn by the salesmen of the business as they were in the past. He is mightly irked by what

he calls the re-presentation of a property company's report and accounts by so-called analysts who then call that research. We want forcibly argued analysis, positively presented, with some humour and seldom without some point to it," he says. Mr Carter is appalled by the number of brokers' analysis sheets on companies which say Buy or Hold and hardly ever

Sell. "The investing institu-tions pay my salary," he says flatly, "not the companies." William Cochrane

tion of financial services and other teams, alongside investment and research depart-ments. The fast-growing Chesterton combine, for example, has just taken over the entire strategic planning department of the Milton Keynes Develop-ment Corporation; at virtually the same time it emerged from a high-powered headhunting operation to find a national director of research.

Chesterton eventually chose

Ms Rosemary Feenan from the CACI data and consultancy group, to produce a new research strategy for the firm; but the intriguing thing about this appointment, and the Mil-ton Keynes acquisition, is the way the firm sees them as interlinked - moving profes-sional work out of the backroom and into the front office. Researchers, too, want to be

Quality is in demand, as leading professionals tell Judith Huntley The kind of service clients

want from their advisers

and apply analytical research

techniques. There have been significant improvements in

significant individual to the last few years. Major firms of surveyors have well-established research departments which have been building databases and producing quality

research for over a decade.

Now, however, the property market boom has turned

research into a growth indus-

that, via the boom, money is available to buy research; but

it is also a symptom of a funda-

mental change in the nature of

the industry.
Dr Russell Schiller, head of

Hillier Parker's research department, comments: "If bet-

ter quality research is on offer, then it steps up what the client

expects to receive from his

adviser and increases the impe-tus for research. Developers, as

well as investors, are finding that they have to do the research which they have seen

The computerisation of infor-mation and the development of

databases in the surveying pro-

competitors provide

The reason for this is partly

market trading before Black Monday, in mid-October 1987, the property sector was soar-ing ahead of the rest of the market and fundamentals

hardly seemed to matter. The October collapse and the subsequently dull market has changed all that. Stock exchange investors, once again, are demanding in-depth property company research, based on an improving analysis of the direct property mar-

It is not just the investor in property shares who is demanding high quality. Investors and developers in the real estate market are also demanding more data, and better interpretation of it.

This view is shared by Mr

Peter Evans, head of research at Debenham Tewson & Chinnocks, the quoted firm of chartered surveyors. He comments: "Clients now demand a much fuller service from their advisers. What they want is high quality advice, rather than a mere regurgitation of data."

Mr Angus McIntosh, head of research at surveyors Healey & Baker, amplifies the point: "Key issues such as the rating revaluation, the imposition of VAT on new commercial build-ings and the impact of 1992 have bubbled to the surface now," he says, "even though we have been monitoring them for some time. Clients want to know how these issues fit with their investment strategy." Mr McIntosh thinks that last year's stock market crash was

a good thing; that, before it, there was too much short-ter-mism in the property market. What kind of advice do clients require from property researchers? Several key factors emerge, whether they be from the broking sector, con-cerned with quoted property companies, or from surveyors dealing with real estate.

Research has to provide the client with an input to decisions on overall asset allocation. This is a big one. It covers how much should be invested in property compared with other forms of investment, and why, within an agreed alloca-tion to property, how much should be directed into the share market and how much into real estate; within those areas, how much should be invested in different types of property company, and, finally, what kind of sectoral and geographical spread there should be in the real estate market. Other key requirements

 regular performance mea-analysis of trends in the

direct and indirect markets,

and interpreted;

• forecasts of the likely behaviour of the stock market and the property sector within it, as well as of yield and rental movements in the direct prop-

Stockbrokers and their clients have had access to accurate measurements of performance of the quoted property sector and a wealth of data on the economy and the stock market for some considerable time. Forecasting models have been developed, and used in conjunction with the research

undertaken by analysts. Broking houses and major firms of surveyors have invested in the technology which allows them to improve the quality of their research. A wealth of information and data is available via screen-based systems, allied with "live" information from the stock market and news services. Some broking houses are able to send their research immediately to clients through a

screen-based research system, in addition to published mate-The direct property market





development of in-house research. But there are areas where it might not be develop ing fast enough.

As Mr Evens wryly remarks: "Having spent considerable man-hours building a Central London development pipeline system, it is a bit off-putting to realise that this could have been tapped into, more cheaply, by using Applied Property Research." APR, now owned by Rosehaugh, is one of the growing number of independent research companies which have sprung into prominence in the past two years or

However, the large survey-ing firms, such as Jones Lang Wootton, Hillier Parker, Richard Ellis, Healey & Baker and Debenham Tewson & Chinnocks, prefer to invest in building their own databases.

Dr Schiller maintains: "Although outside sources can be a useful adjunct to in-house research, the only way to get the flexibility required is to

have your own show." Those frustrated by the ever-increasing number of property indices forthcoming from the surveyors should take note of Dr Schiller: "It would be lovely," he says, "to have a magic wand, wave it and produce the property equivalent of the FTSE 100; but in practice this is very difficult. Quality control is vital, particularly when measuring market infor mation as opposed to a portfo-lio, which is really an account of stewardship. Perhaps 75 per cent of the time should be spent on quality of data, and 25 per cent on computers in all

Mrs Honor Chapman, head of Jones Lang Wootton's research department, agrees that in-house databases are essential. "Outside sources cannot maintain vital contacts with other departments within the firm," she says. "It is essential to keep in touch with the market, and this can only be done by the researcher ng able to talk with those in day-to-day contact with it."

All this leads towards improving the predictive capability of research, and its inter-pretation. Mrs Chapman, again: I see a maturing of the research industry, and a move towards consultancy, even management consultancy." That, of course, is a field which will bring the surveyors into direct competition with other professions - and put their research under the microscope.

The writer is a property analyst at Kleinwort Benson Securities.

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PROPERTY RESEARCH 3

common to draw unfavourable comparisons between property research by surveyors and financial research as in equi-ties, and this was reflected in

the computer-based marketing and analysis tools which man-agers made available. This imbalance, real or imagined,

has fast been corrected as sur-

veyors have come to view

research as an increasingly

important competitive weapon.
A large London surveyor's

office now resembles the

research department of a stock-broker. Personal computers

with colour screens and graphics facilities produce reports

and marketing literature at high speed, laser printers are used for fast, high quality print runs, and computer networks link researchers to corporate

computers, on-line databases and, in some cases, clients.

The changes in the equity market which resulted from Big Bang have been credited with playing an indirect but key role in shaking property firms alive, but probably more important has been the availability of case to receive the second

ability of easy-to-use, low cost computer systems. Technologi-

cal developments have enabled

property companies to computerise at a phenomenal rate which would not have been possible 10 years ago.

"Over the past four years, and over the past 18 months in particular, there has been a

revolution. The pace of change is so fast that things are chang-ing almost daily. Terminals are everywhere." says Mr Iain Reid, head of research at prop-erty agent Richard Ellis. "The difficulty is not in finding.

difficulty is not in finding systems to do the things you

want, but in getting staff

trained to use the systems."

The willingness of property

firms to experiment with and invest in new technology has

grown significantly over just

two or three years. One sup-plier of software, Mr Stephen Sykes, says: "The speed at which people are taking deci-

sions is getting much shorter.
Big Bang made some surveyors
feel that they were exposed."
In an industry which is said
to be undercomputerised, Rich-

ard Ellis, with about 500 Lon-

don employees, boasts three powerful Wang minicomputers

and 30 personal computers. Another example is Drivers

Jonas, a London surveyor with

over 300 employees, which has powerful Hewlett Packard and Unisys minicomputers and

over 100 personal computers

installed - compared with only

65 this time last year. Surveyors have proved to be

natural candidates for compu-terisation across a number of

departments. Not only are they

responsible for storing large

Location planning comes into its own

A big step from mere maps

IN MAY 1987, the Chorley Committee made an enthusiastic report on the scope for geographic information systems in the UK. They were "the biggest step forward since the inven-tion of the map," it said.

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Researchers using computers can now overlay maps with tabular material, charts, lists, graphs and reports to produce multi-dimensional models. They use and merge, official census statistics, population estimates, retail census statistics, road network models and market research data.

This has not been lost on the property industry, where "location, location and location" is acknowledged as the prime cri-terion for development, finance, rental levels and, indeed, occupancy. While the post-war entrepreneurs of 20 or 30 years ago had room, and time, to do their own thinking. today's packed development market could make mistakes

market could make mistakes just too expensive to bear.

Specialists in geographical data include Pinpoint Analysis whose chairman, Mr Gurmukh Singh, was a member of the Chorley Committee. Pinpoint works for the manufacturing,

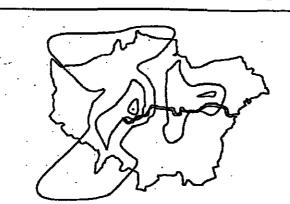
financial services sectors; while research work in this area used to be the province of the major retail chains, employing in-house econo-mists, it now goes broader and

deeper than before.

Pinpoint has used census based information to find where the wealth, the work-force and the Yuppies live in the London Borough of Camden; it has also attacked what it sees as the simplistic view in Britain of a prosperous south and a depressed north, fielding its own, Pinpoint Wealth Indi-

cator, to prove its point.

Another specialist supplier is
Conder Technology of Winchester which, only last
August, produced PIMMS (Property Information Management and Maintenance Systems) to integrate property data with other information and, specifically, to allow local



Contouring by computer is being used increasingly for locational analysis. Maps are divided into bands or segments: for example, to show the way industrial property rents rise the closer one gets to London's M25 orbital motorway.

The sample map litustrated here was prepared for a building society by Data Mapping of Saltasti, Comwall.

is based on the retail trade and the supply of quantitative data, but it has been able to move into consultancy via feasibility and impact studies for develop-ers and institutional investors. There was a group of people like that, suppliers and clients, at a Round Table discussion of property research at the Harrogate conference of the British Council of Shopping Centres less than a month ago. The table hosted a spirited argu-ment about whether people in a workaday town like Slough, at the London end of the M4, wanted workaday shopping or an oasis of Knightsbridge-style hixury.

Property people have a great talent for telling the public what it wants. But Mr Ian Thurman, senior consultant to CACI Property Services, argued: "You've got to get into people and, basically, interrogate them to find out what they want."

He is not sure that the developer is sold on consultancy. "I'm making a lot of money just selling data to people," he says. "They could lose money by making their own decisions from that information, but they'd rather spend £400 on data than £10,000 for a proper research project." He acknowledges, however, that if the cus-tomer has its research people to build on CACTs data base, then data alone is a sensible

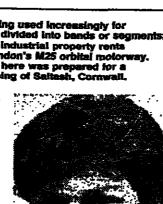
proposition. The Round Table was chaired by Mr Alan Sheridan, charred by Mr Alan Sherhan, director of operations at The Retail Group, just acquired by the de Morgan property services combine. TRG is a step beyond specialisation, offering "total retail planning." It has a good reputation, nevertheless, for location-based data and research.

What TRG is after, says Mr Sheridan, is new answers to

It has attacked the view that the UK has a prosperous south and a depressed north

old questions - and some answers to new ones. It has just produced, in two days, an essential decision for a client to buy a run-down shopping centre which has been a skele ton in the industry's cupboard for some years. TRG will go back and construct a longer, second stage analysis for the client but this job still exemplifies the willingness of some researchers to assume entrepreneurial risks.

Location planning is just one



Sophie Mirman might find it harder to start Sock Shop now

ences with a combination of research, demographics and

common sense.

MH specialises in improving retail profits but it has been drawn into working for devel-opers, institutions and other clients by the mid and late 1980s retail boom.

"Five years ago we were working mainly for stores," says Mr George Wallace, chief executive of MH. "Now, everybody wants to be in the 'retail' business." Clearing banks, hotels, travel companies and estate agents are just a few of the contenders. Mr Wallace reminds us that

the UK is going through a period of massive retail devel-opment; it is suggested that opment; it is suggested that there is 100m sq ft of space on the drawing boards. He acknowledges the resultant scarcity of opportunity: "Nowadays, when you get a good retail opportunity, you've got to know exactly what you're going to do with it," he says. "Instead of retail property development being led by the development being led by the property developer, the builder or the architect, it's going to be led by the consumer.

These days, he says, it is much easier for the analyst to see where the opportunities exist: "We can model sales of a business against 50 or 60 variables — social groups, the number of car parking spaces in a town, its age profile, prox-imity to Marks & Spencer, proportions of home owners, car

owners and so on. Unfortunately, this burning wish for everyone and his wife to be in the retail business has also meant that prime retail rents have raced ahead in the last 12 months. Retail margins are under threat and innovative entrants to the retail mar-ket, like Tie Rack and Sock Shop, might find it harder to set up in business today, thinks Mr Wallace. Whether, and when this trend will find its way into the development market remains to be seen.

William Cochrane

COMPUTER SYSTEMS

Decision time gets shorter

databases, word processing, desktop database retrieval, graphics and laser printing have all proved popular. Mr Reid says that in the

property investment industry there is a great requirement for information that is not pub-licly available. "You generate a lot of information which you have to keep and computers are the way to do it." Having developed databases of proper-ties, companies can then use their systems to offer a more sophisticated service to clients. One example, already well-established, is in matching clients' requirements with a database of properties to find sites which suit their needs.

Mr Steve Marshall, informa-tion technology manager at Drivers Jonas, says that managers are now being given sophisticated database software for use on their personal computers so that they can access information such as property records, enabling them to provide a swift and informed response to queries.

One area of increasing com-petition is in the production of both free and commissioned research documents. This sometimes brings surveyors in

amounts of potentially re-us-able information, but their main product is paper, in the form of reports, surveys and presentations. Computerised databases and presentations are suitable to publishing advent of desk top publishing advent of desk top publishing and laser printers has brought a new dimension to this activity, resulting in more frequent, higher quality research, often sent out in internally produced, bound A4 folders.

"We've got past the stage of sending everything off to the printers — it's more important to get it out quickly. People are no longer impressed by the

to get it out quickly. People are no longer impressed by the glossy covers but by the contents," says Mr Reid. He believes that property research has a wider and deeper purpose than research in the financial markets, "but it still needs to be bang up to date." Because of this, virtually everything is produced using the firm's deak top publishing and laser printer systems.

and laser printer systems.

Mr Peter Evans, head of research at Debenham Tewson & Chinnocks, says that the quality of presentation from surveying firms has been high for some time, but desk top publishing offers new opportu-nities. He identifies these as nities. He identifies these as cost savings, improved control over output, and, above all, the ability to produce information quickly. "If you have something to say, you tend to want to say it sooner rather than later," he points out. "You

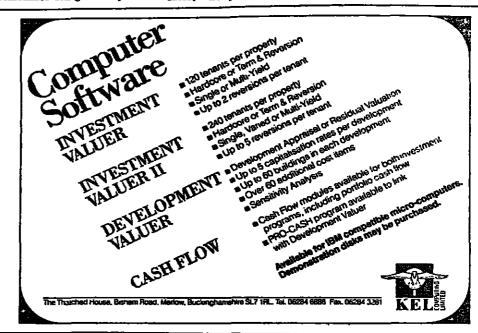
don't want to shortcut on research so you have find time improvements elsewhere "

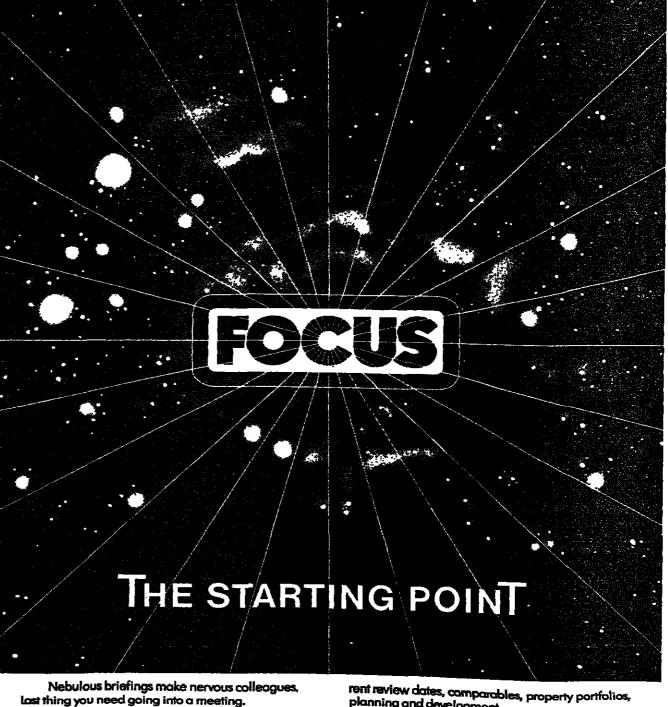
Computers are also the one of the driving forces behind the development of property indi-ces such as Jones Lang Woot-ton's Property Index and Rich-ard Ellis's Property Market Indicators. Richard Ellis has constructed a model on its valuations computer which enables indices to be drawn up for various market sectors. These are entered into spread-sheets, graphics and charts are drawn up, and the results printed out on a laser printer.

For close client relation-For close client relation-ships, some firms are going a step further and developing direct computer to computer links. Drivers Jonas has just completed work with a client which involved setting up a direct computer link using British Telecom's high speed British Telecom's high speed kilostream service, and shortly begins a similar arrangement for another client.

For most property firms. however, the use of computers has probably only just begun. Computer-aided design packages, though in use at the major London firms, are not widespread. Scanners capable of reading maps, charts and diagrams into a computer are scarcely used at all, while image processing, a technology of storing thousands of original documents on optical disks, is just making its mark in the financial sector. And one supplier has considered developing a simple "expert system" in which a computer asks questions about a property before announcing its valuation.

Andrew Lawrence





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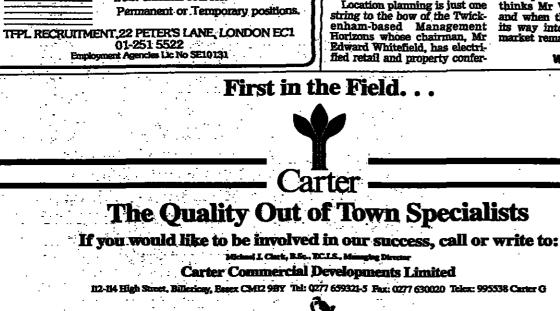
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Spells for 'Cinders'

ASSET management is the Cinderella among glamorous sisters in the property business. Not for her the public excitement of wheeling and dealing at the development and investment ball; housekeeping skills are rarely noticed by the

sisters who bring their glittering prizes for her to polish.

Fairy godmothers are queueing to offer a helping hand, however. They may not be able to provide a new glerous but to provide a new glamour, but they have some wonderful spells for improving efficiency. After the fireworks of a property deal fade, the long slog of maintenance planning and rent-collecting begins. Computerised information systems seem an ideal tool for these tasks, but godmothers do not always fulfil their promises.

Out of a score or more of magic packages advertised in the Kitchen Drudge Journal, only about half a dozen rate more than a second glance in the back rooms of agents and owners across the country.
One problem is that each

doing things. Many have taken on computer spells which are difficult to bend to a new shape for others with different needs. Also, some godmothers have produced what amounts to inventories with built-in dia-ries which produce pop-up messages when a rent review is due. These may be just what a surveyor needs, but do not always help financial manag-

ers.
"Basically, you can satisfy most owners most of the time by getting the rents collected and accounted on time," says Mr Bill Harding of Edward Erdman. He is looking around for a new system as his existing one is no longer fast enough to handle a housekeeping workload of up to 5,000 tenancies generating 2,000

a month. One of the oldest godmothers, whose aim is to convert Cinderellas into Tramps rather than princesses, will be on his list of appraisals. Tramps is a package developed by Trace Computers over more than a decade, but which has taken

off in the past two years to involve 65 users including some of the top agents and developers. That has helped Trace almost double turnover this year to 26.3m.
"It has been designed from

the accounting end rather than the database end," says Mr Colin Clarke, joint managing director. "There are some big companies around with database systems onto which accounting for rents and service charges have been unsuc-

Cessfully grafted."
Handling service charges is a sticky problem for any management system. Some cannot adjust easily, for instance, to a ground-floor tenant paying nothing for lifts. Half a dozen calculations may be needed to produce the right invoice.

Flexibility to handle different demands is crucial to attract a wide range of users and keep down costs, says Mr Clarke. A property company may not account for assets in the same way as a rent-collecting agent. And two landlords with the same agent may require invoices drawn up in entirely different ways, let

alone on different dates.

Ease of use for non-special ists is another important factor. Tramps, for instance, has been brought down from the hands of mainframe data processors to micro-computers by surveyors Hillier Parker. Even at desktop level, Mr Clarke insists on correct training pro grammes before selling his

The screams of frustrated operators attracted Leeds-Wharfedale Data Systems into the market. Ini-tially, it created a package for the Mountleigh Group which Mr Phillip Carruthers, founder and managing director, soon realised was highly marketwith its ease of use and built-in audit trails running on fourthgeneration UNIX computer lan-guage will put Wharfedale in a strong position, he says.

fedale soon after they met. Whatever the future of this leading property group, its

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adoptive daughter is unlikely to be short of sultors.

Like Trace, Wharfedale stresses six-monthly updating of software through feedback from users and inputs to match new legislation. This gives a continuous cash flow of fees, instead of one-off sales reve-

nue.
Mr Carruthers has some more magic up his sleeve. He is working up an agricultural management system along sim-ilar lines and is looking at a takeover of his own. Turnover this year was close to £400,000 and the target is for half total business to come from property management.
The market is growing as

investors demand more efficient property accounting and management. And as better machines are introduced and extra players come into the game, prices are falling, pulling in even more users. Mr Chris Woodcock, Trace sales manager, says that a few years ago the lowest price for a good system was £75,000. That has now been cut by two-thirds. Wharfedale's current

CTRAX-PMS package starts at about £35,000 to £40,000 for a four-screen system, aimed at medium-sized businesses handling rents of about £5m a year. The average Trace contract is £50,000, although they range as high as several mil-lion pounds for a system handling 15,000 tenants.

"One customer had only three properties," says Mr Clarke. "It decided to take on a management system after los-ing the chance of a portfolio because the potential client demanded a minimum level of financial reporting."

That "minimum" is neither fixed nor definable, however, varying according to the pattern rather than the amount of reporting. Even Trace does not meet universal approval for some users who feel it pours out too much information at times. But packages like Wharfedale's will have to work hard to match the conversion rate of Cinderellas to Tramps by this powerful godmother

David Lawson

SOFTWARE

Sheet errors

THE USE of a computer-based model is now almost essential for analysing the value of existing or proposed property investments. In recent years a considerable amount of soft-ware – sometimes of dublous quality – has been written, both for in-house use and the general market, to provide sur-veyors and investment anaysts with the tools to analyse

the value of property.

Up until a few years ago property valuation was a relatively simple matter. Various methods, such as simple return on investment calculations were practised and analysis could be carried out without computer tools. Accuracy, although always desirable, was often not closely monitored. In this decade, however, sev-

eral factors have combined to revolutionise appraisal meth-ods, including the availability of relatively low-cost but powerful computers. This has enabled surveyors and investors to use more complex models capable of generating the results more quickly.

This is no more than the

market demands. The financial community increasingly views property as an investment which can be regularly moni-tored and compared with other forms of investment such as gilts. This has led to a demand for models based on "discounted cash flow" rather than the traditional "return on investment methods."

The market for financial appraisal software in the property market is, according to suppliers, growing fast, but it is still a small and specialist one. It is unlikely that there are more than 500 valuation packages in use in a market in which £5bn changes hands

annually. Because of the specialist nature of the applications, none of the larger software houses which competes aggres-sively in other parts of the property market or the financial services industry has attempted to break into the market. "Software houses have not got the expertise to deal with the technical aspects of property valuation," says Mr Robert Greenly, managing director of software supplier

Greenly's.
The leading suppliers of specialist property valuation software were all founded by people able to cross from accounting or surveying into software development. Greenly's, Interproperty, Mar-cus Lion, Stephen Sykes and KEL all have major users among leading surveyors, investment houses, agents and Although the internal mathematics of such systems is complex, all the software is easily

run on a powerful and low-cost

personal computer.

The main competition for these firms is internal - many users prefer to develop their own systems, either from scratch on their corporate computers or on personal computers using spreadsheets. The widespread use of spreadsheets such as Lotus 1-2-3 for analysis is a cause of frustration for investment analysis suppliers.

"The property market is absolutely besotted with spreadsheets. A spreadsheet is like using a sledge-hammer to crack a nut," says Mr Stephen Sykes, the software developer and supplier. He argues that they are difficult to use, incapable of trapping mathematical errors and cannot satisfactorily perform many of the advanced computations required.

Although many surveyors carried out their first comput-erised valuations using spreadsheets, the trend now appears to be firmly towards specialist software. "We've all replaced a lot of spreadsheets - you only do so much with them. Functions such as sensitivity analy-sis or risk analysis can't be says Mr Greenly. He warns that unless carefully used, spreadsheets can allow users to make all sorts of simple mathematical errors.
The specialist packages

which now dominate the market share many features. They are designed to enable the user to evaluate new property devel-opments, consider the effects of alternatives, quantify risks, analyse investments and portfolios, and provide financial information such as cash flow

and residual values. Few users doubt that all the existing packages have limita-tions, although almost all the major surveyors use one or another. One large London surveyor is using two packages and an in-house system linked together. "Surprisingly, nothing is available which enables you to do all things you want in one integrated package," says the head of research.

Another property company Richard Ellis, found the avail able packages insufficiently flexible, and plumped for its

Despite their sophistication, property appraisal packages are, like the property research industry, still in the early stages. Users and suppliers, however, seem in agreement on the way forward. In most cases this does not involve advanced computing techniques, but the provision of easy-to-use, well-balanced systems, capable of blending easily with a company's exist-ing systems and methods of working.

Andrew Lawrence

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Initialled goldmines

SOME SHARP operator could make a lot of money exploiting a surprisingly obvious information gap overlooked in the crowded world of property research. Careful spadework would unearth a potential gold-mine in vehicle registration plates which match the initials of a torrent of consultancies that have sprung up over the last year or three.

They are an abbreviationconscious bunch, far less sensi-tive to initials than surveyors. Thank goodness, because with more than 100 databases on the market, plus a clutch of analysis and research groups, abbreviation saves extending even a modest discussion about the clan into a heavyweight tome. But why do we need all these

But why do we need all these new initials clogging up the language of property, and are we heading for information indigestion? Definitely not, says Mr Mike Nicholson of FOCUS, one of the few comfortable acronyms. The market lusts for even more information (such as his town profiles) than it is already fed.

"Ten years ago all a surveyor wanted to know was what buildings were on the market and the rents being achieved. Today that has extended to who is looking for what and why detailed break. what and why; detailed break-downs of types of vacancies and the attitudes of planners; and how property investment is performing."

At first, the big agency groups took on the research task themselves, then spawned independent consultants so they could free up money-making resources. Mr Nicholson resources. Mr Attention came from Knight Frank & Ruiley to set up FOCUS, while Mr Geoff Marsh left Jones Lang Wootton to form Applied Property Research (APR), Mr Rupert Nabarro of Investment Property Databank (IPD)had been deeply involved with top agencies, as had Mr David Cad-man of Property Market Analysis (PMA).

Most of the leading surveying groups still maintain arch departments, but they often feed off semi-process information from outsiders. At Hillier Parker, for instance,

where Dr Russell Schiller runs one of the biggest research teams in the industry, more than 30 external agencies are

tapped for information.

"We are in the business of packaging information nowadays," says Dr Schiller. One such package is a management system put together for shopping centre owners and adminstrators. This draws on geographical material from a census data specialist such as CACL or a Promis profile from PMA with market research and

PMA with market research and mapping by Pinpoint.
When the demographic, development and spending pattern data are in the bag, Hillier Parker's experts move on to the next stage of analysis and prediction of matters such as tenant mix, or the implications of a rival development.

of a rival development.

This distinction between information and analysis is a crucial one. Mr Nicholson sees provision of information as the main function of independent consultants. "Agents and developers don't want to be given ultimate answers," he says. "They want to draw their

This is why he has concentrated on developing an on-line database, which cost more than film to set up and stock with details on around 100,000 properties culled from the media, council minutes, company reports and other ources. More than 200 organisations tap the database, including other research groups such as IPD.

Mr Cadman believes that growing recognition of the dif-ference between information and analysis shows that the research sector is moving towards a new maturity. PMA has deliberately settled at the opposite end of the spectrum to databases. Profiles are part of the service, but Mr Cadman and his partner Richard Barras, an economist, are mainly geared to provide high-level analysis which puts property in a regional and national economic context. Sector reviews and forecasting are their

This does not preclude intuitive decision-making by devel-

opers," he says. "We won't say if a business park should or should not be built but can refine the decision by suggest-ing how it should be built."

Distinctions between information and analysis are not always easy, however. IPD has taken on a godlike status with its performance indices by expanding to cover £20bn worth of property owned or managed by 10 of the top institutional investors and the same number of top surveyors. But Mr Nabarro argues that statistical analysis - no mat-ter how comprehensive - is

not the same as advice.

Some consultants see their position shifting as research becomes a central part of deci-sion-making. Mr Marsh built the reputation of APR on information banks such as planning application summaries in cantral London. But he sees a fur-ther role in the high val-ue-added interpretation of information for Rosehaugh, its new parent, and a range of other clients.

other clients. The even wider horizons of resource management beckon Mr Cadman. Companies are beginning to take on research groups to assess use of buildings within the context of total resources, but property-based consultants risk losing such business to established management consultants unless

they widen their horizons. There is a danger of over-stretching, however. We need a clear view of what we cannot do," he says. The "disappoint-ment factor" is already playing a part among conventional property clients, who have switched from blatant cynicism about research to almost desperate lusting for analysis. The "God, we must have that" syndrome might be good for consultants' overdrafts but can lead to disillusionment when no easy solutions emerge.

True maturity will arrive when clients take a more selec-tive view about when and where to seek and use information and research, no matter which part of the spectrum they exploit.

David Lawson

Good advice is a good investment.









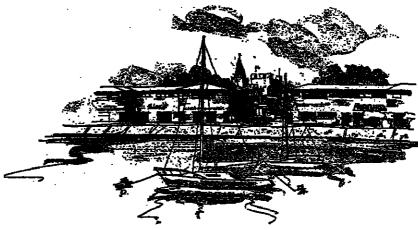
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